

# Speakers



**Sukhwinder Arora**

OPM Associate and  
Director/Promoter of  
Arora Associates Limited UK



**Prabhat Labh**

Chief Executive Officer  
Grameen Foundation India



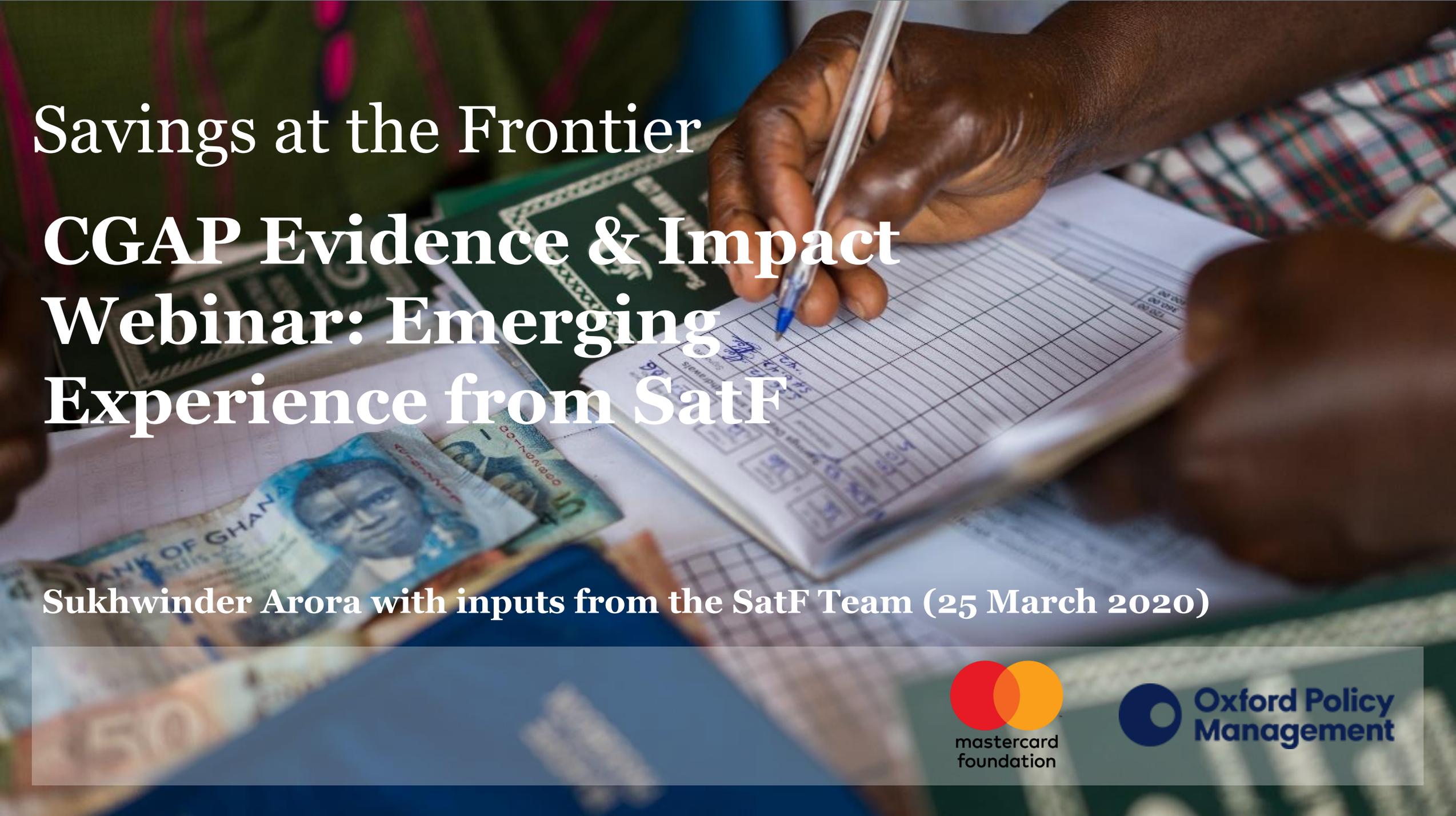
**Gerhard Coetzee**

Lead Customer Value Team,  
CGAP



**Emilio Hernandez**

Senior Financial Sector Specialist,  
CGAP



# Savings at the Frontier CGAP Evidence & Impact Webinar: Emerging Experience from SatF

Sukhwinder Arora with inputs from the SatF Team (25 March 2020)



# SatF Strategy and Tools to spark Innovation by FSPs



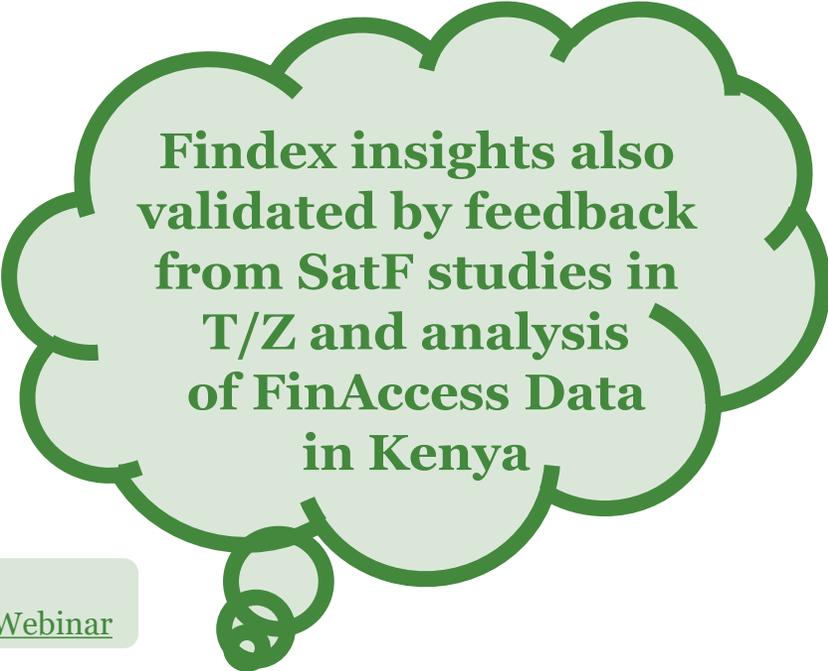
**FSP Funding necessary to reduce risks and costs for untested business models; but on its own, funding insufficient to change FSPs priorities/ behaviour**

# SatF: Mastercard–OPM Partnership

- Three country focus - **Ghana, Tanzania and Zambia**
- November 2015 to June 2022 (**one third implementation time left**)
- **FSP led partnerships** to finance diverse Informal Savings Mechanisms (ISMs)
- Directly support 9 **different mix of financial services providers** (FSPs) - Banks, MNOs, MFIs, Fintechs
- ISMs offer value to users - link FSPs with ISMs without reducing/ damaging existing value
- Focus on **financial services delivery and learning**

# Customers increasingly mixing formal/informal financial services

- Findex Micro data analysis for 2011 and 2017 for Ghana, Tanzania and Zambia:
  - Customers using a Formal Financial Institution account doubled from 32% to 64% (including mobile money);
  - Adult population using ISMs expanded from 8% to 19%
  - 7.3 million additional savers started using ISMs
- Rapid expansion came from those using both ISM and FSP accounts (up from 5% to 16%);
- Percentage of the population
  - using only ISMs remained constant at 3 percent
  - using only FSPs slightly decreased (down 7% to 6%)



Findex insights also validated by feedback from SatF studies in T/Z and analysis of FinAccess Data in Kenya

<https://www.findevgateway.org/blog/2020/01/does-informal-finance-still-matter>

<https://seepnetwork.org/Webinar-Post/Financial-Inclusion-in-Africa-Is-the-Informal-Sector-Still-Relevant-Webinar>

# SatF engagement with selected FSPs

- **Nine different types of FSPs (Three B2B solutions)**
- **Technical and financial support to FSPs:**
  - Test **triple win commercial models** (that offer value to FSPs, ISMs and individual savers)
  - Meet **financial services demand from informal savers** (not just FSP linkage with the group)
- **Flexibly respond to FSP specific strategy, preparedness, needs and timeline** - Business Plan Development (BPD)/ Implementation phases vary across FSPs
- **Adaptive SatF team engagement** with FSP staff with feedback loops (not blueprint)
  - **FSP led commercial business models and partnerships**
  - Support and **empower project/operational staff at FSPs** to finalise and champion the proposed business/ product/ change management
  - **Three stage SatF approval** – BPD; Implementation; Super Tranches for selected few

# SatF-FSP Partnership guided by *Two Way* Promise Card

- Recognise the **commitment by both parties**

(funding, results, reporting, data handling and learning)

- Building a **Commercial Business Case**

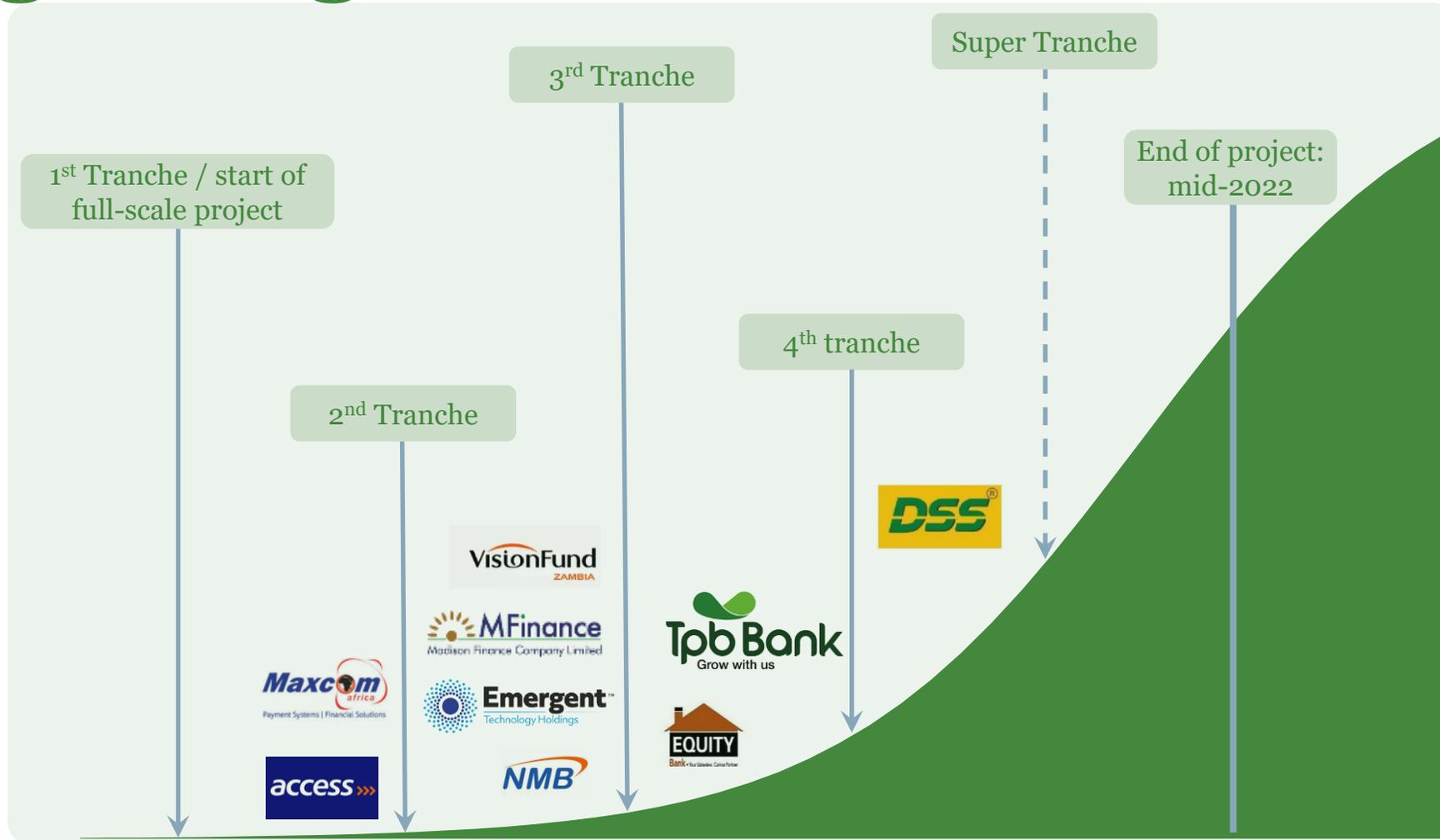
(sustainable delivery of financial services to ISMs and users over long time)

- Structured over four tranches; **Initial two tranches** (50 to 60% of total commitment) largely inputs/ infrastructure - activity focused

- **Last two tranches** (40 to 50%) payable on outcomes (payment per account opened and subsequent activity)

- Recognise other issues: expected timelines/ take up; **customer affordability**; difficulties for FSPs to **negotiate digital transaction fees** with MNOs (esp. small FSPs) ; and **some short term subsidies** to move towards more realistic transaction fees (at steady state);

# Progress against the Promise Card



# Emerging Lessons – FSPs 1

- FSPs need support to share **short term risks and costs**

especially if the business case is unproven e.g. Savings (Not Credit) led Linkages between FSPs and ISMs/ Users

- Funding on its own may buy some tactical space but may be insufficient to **revise corporate priorities** (esp. for large FSPs)

- Need to identify how we can facilitate/support appropriate **internal FSP champions/ changes**

(need to understand what is happening inside the black box – which may not be project related)

- **Enhancing FSP stakes** in the proposed project.

e.g. aligned strategic priorities; internal champions, contributory funding; showing benefits of using data to generate business insights; and reconfirm/revise strategy during implementation

# Emerging Lessons – FSPs 2

- **Facilitating innovation** needs work on **multiple building blocks** and alignment across these:
  - staff, products, partnerships, operating guidelines/systems, pricing, regulatory approval
  - ongoing feedback between FSP offer and customer response
- Implementation plans need to be flexible enough to readjust to **FSP level strategic changes** and **wider changes in the market**
- Need a safe forum for **sharing learning**

Pleasantly surprised with the extent to which SatF FSP partners willing to discuss with each other specific problems faced even within the same market

- Need to **facilitate market based FSP responses**

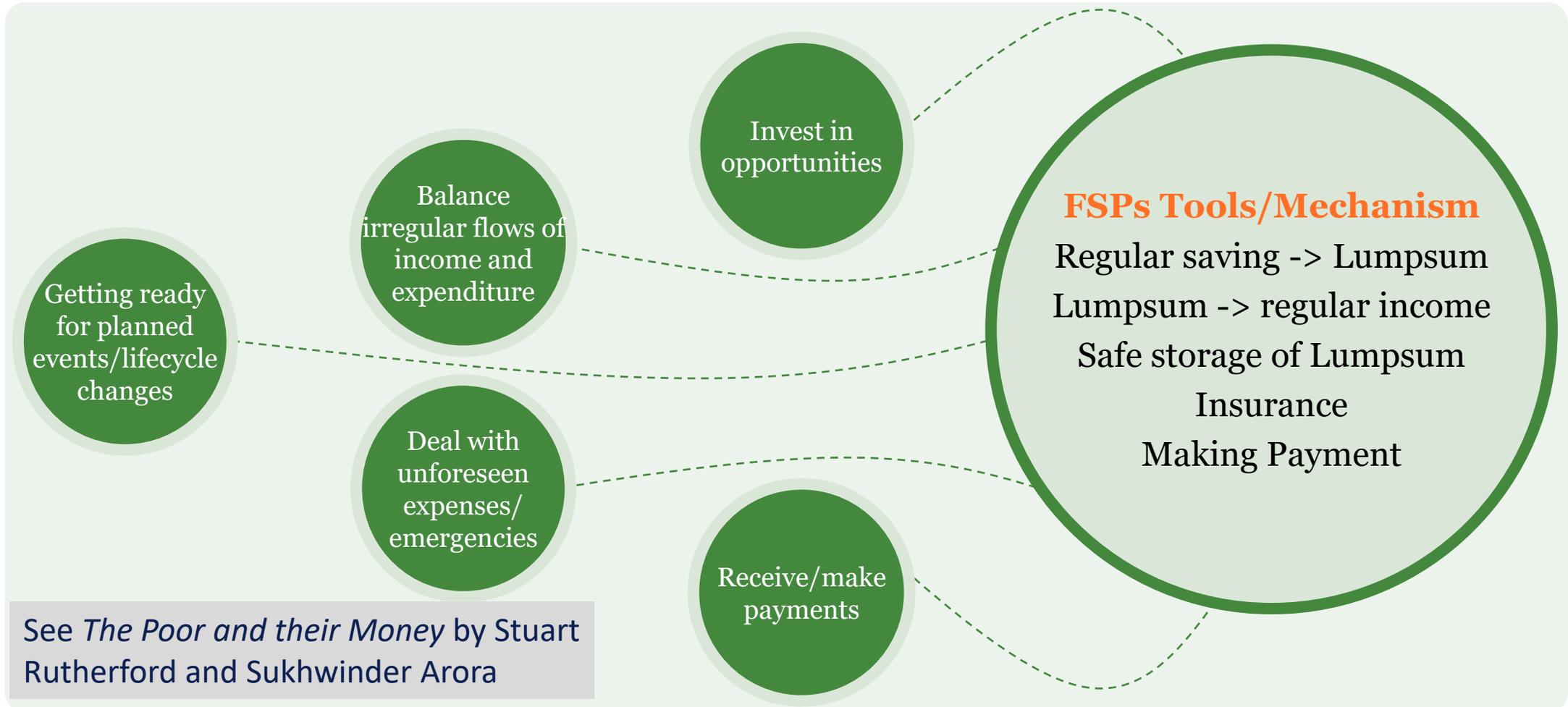
e.g. scope for competition between SatF partners and others to emerge rather than just selecting potential winners

# SatF works with FSPs to make formal financial linkages work better for ISMs and users



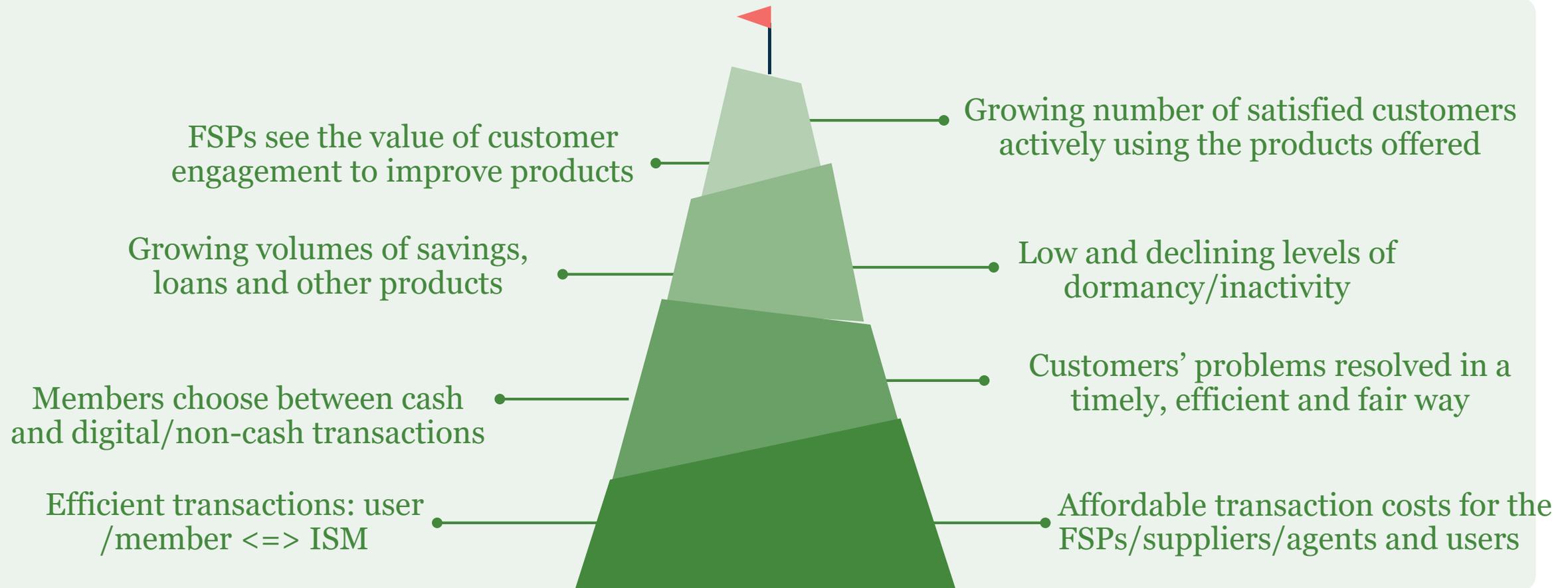
**Results chain between opening an FSP account and changes in life and livelihoods – is long/complex. We focus on changes in attitudes and behaviour of savers in the short term**

# Turning user needs into FSP product requirements



# *Aspire for - demand pull/ product goes viral*

*Unprompted, customers willing to encourage their family, friends and neighbours to sign up and use the offered products*



# Evidence of changes in financial decision-making and behaviour of customers

- Why/ How: Three-year longitudinal research study to explore -
  - introduction/ use of financial products and platforms on **ISMs/ users**;
  - **FSP or partner staff and agents**, and their relationship with customers;
  - **For B2B business models**: Explore the impact on the relationship of FSPs with regulator, markets and their customers
- Examples of short-term outcomes - changes in **attitudes, perceptions, and behaviours regarding the adoption and use of the platforms and other (related) financial services**
  - Increased trust and a positive shift in attitudes and perception
  - Improved awareness of available financial services/ Increased confidence to seek information and test relationships and products
  - A decrease of costs in accessing and using formal financial services
  - B2B models: Increased transparency, efficiency of partner FSPs

SatF commissioned *Bath Social and Development Research* for independent feedback  
<https://bathcdr.org/>

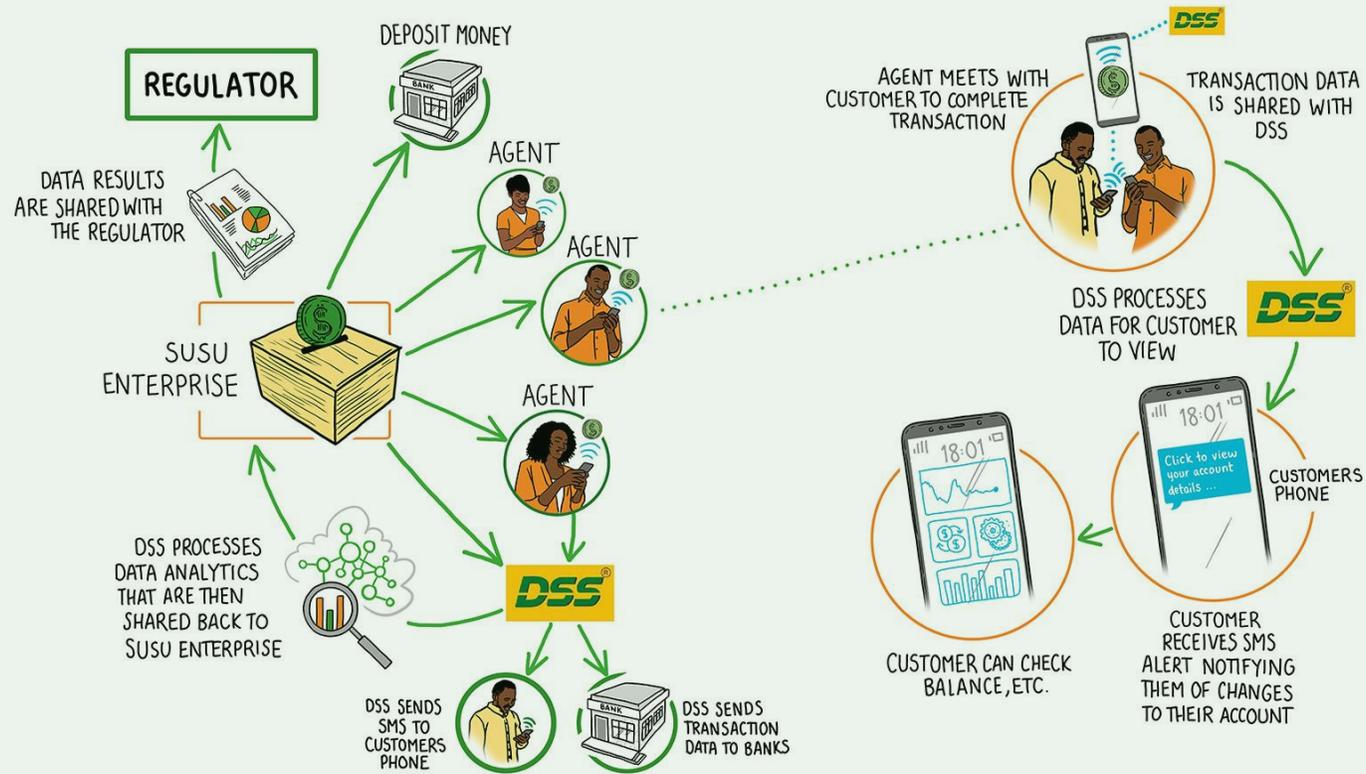
# It is difficult to track customer level outcomes!

- Customers can often have **relationships with multiple formal financial services providers**, change financial services providers and use multiple/ different products;
- Customers specifically in urban areas, but also in peri-urban and rural areas are using mobile money services and digital financial services; the attribution of change (impact) to SatF-supported financial services is difficult;

# DSS Ghana



THE DSS PLATFORM IS AN APPLICATION THAT IS DIGITISING SAVINGS IN THE INFORMAL SECTOR OF GHANA BY REVOLUTIONISING SUSU COLLECTION - A TRADITIONAL INFORMAL SAVINGS MECHANISM (ISM) COMMON IN GHANA AND ACROSS MUCH OF WEST AFRICA.



# What does this mean for enterprises and their agents?

- **Two** susu enterprises consulted state explicitly that they would **not** be in business any more without the introduction of the digital platform and relationship with DSS (a SatF partner);
- **Reported outcomes:**
  - Timely and accurate reports to GCSCA to meet Bank of Ghana requirements
  - Improved customer relationships and increased trust
  - Efficient database for monitoring and increased collections per agent/collector
  - Reduced time and resources spent on administration and accounting
  - Increased control to stop agents from diverting/suppressing cash and identity checks
  - Improvement in enterprise liquidity

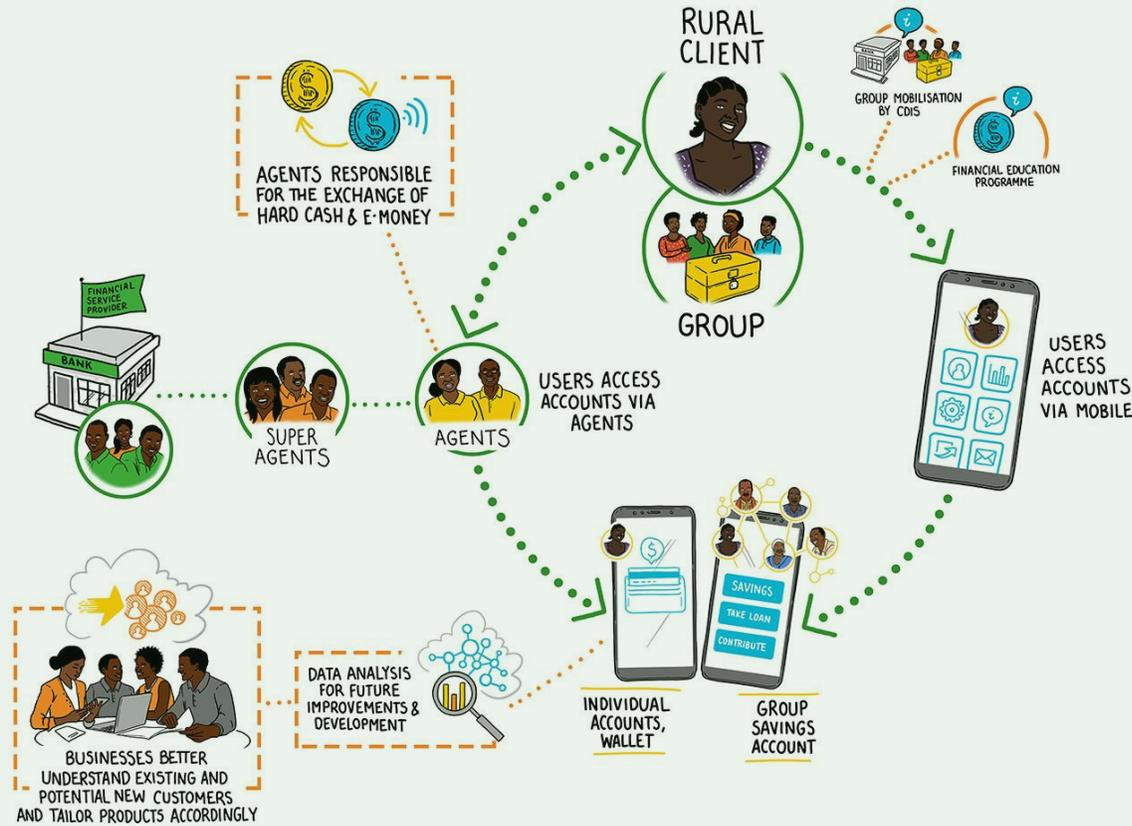
# What does this mean for susu customers?

- Digitisation of the susu collection platform does not immediately benefit end customers
  - Digitisation does not (yet) provide significant and widely felt changes to customer convenience
    - Hypothetical convenience: customer were told about benefits but do not report to have experienced them (as yet)
    - Some indicate increased convenience. Susu customers are leaving their money with others in the market to be picked by the susu collector. SMS notification/card enables both deposits and withdrawals via a friend or relative
  - Trust does not come from digitisation, it comes from a proven track record and personal connection to collectors (trust in face-to-face interaction)
    - Owning a card or receiving SMS text messages are not linked to an increase in trust in the susu collector or the collecting FSP

# Equity Bank Tanzania



IN TANZANIA, EQUITY BANK (EBTL) IS REJUVENATING ITS BASIC GROUP SAVINGS PRODUCT TO BETTER SUIT THE NEEDS OF RURAL CLIENTS- THIS INCLUDES A MOBILE AND CARD-ENABLED INDIVIDUAL SAVINGS ACCOUNT WITH FREE GROUP-TO-MEMBER AND MEMBER-TO-GROUP TRANSACTIONS.



# What does this mean for ISMs and their users? (preliminary findings)

- **Safety of funds** before share-out
- **Agency and confidence:** an opportunity to test relationships with an FSP, engage with their staff and discuss in safe environment, the savings group
- **Access to other financial products**, such as loans: bajaj/ pikipiki loans
- **Reinforcement of messages** on budgeting/financial discipline/focus on income generating activities: through NGO staff, bank staff and Government
- **Choice:** Increasing competition provides choice for informal savers and groups, allowing users of ISMs to compare financial product features

# Specific use cases (preliminary findings)

- **The parallel savers** (Savings with ISMs and individual account)
  - Group savings aside: personal savings are moved from home to bank account
  - Self-control device more powerful than mobile wallet
- **The top-up focus**
  - Group transactions are predominantly in cash, excess group deposits deposited in bank account, and when cash in group available at the meeting does not meet demand for member loans, cheques are issued to members
  - Increases interest earnings
  - Improves perceived value of the savings group – reliable mechanism
- **The reluctant adopter**
  - Individuals in the SG with confidence and extra cash test individual loans, others are aware of the possibility and experience is observed and shared
- **The early adopter**
  - Sends group contribution from mobile wallet to group bank account

# Emerging Lessons – Customers 1

- ISMs offer lot of economic and social value for savers but also have rigidity/ limitations
- Linkages between FSPs and ISMs on its own may not be enough:
  - ISM Link can open up value for informal saver to get **additional value** – of the group offer + complementary services
  - Group can also provide a safe place to understand/ test the FSP offer **(Customer Sandbox!)**
  - **Future potential** of converting cash  $\leftarrow \rightarrow$  digital for non-members in the community as well?

# Emerging Lessons – Customers 2

- **Savers are often aware of trade-offs** e.g. between convenience, ease and cost of access; flexibility/ rigidity, risks and returns, anonymity and predictability – vary across context; **need to be better understood by providers**
- It is possible to give savers a **helpful bundle of options to meet their financial needs** (effective and usable with the right features/not theoretical)
  - Between saving at home, group, mobile wallet and bank account
  - Facilitating friction-free transfers across various savings options (as much as possible) e.g. group/individual account
  - Facilitating conversion of current and future savings into usable lumpsum

# Savings at the Frontier

# Thank you

Sukhwinder Arora [Sukhwinder@arora-associates.com](mailto:Sukhwinder@arora-associates.com) ;

Janet Hayes [janet.hayes@opml.co.uk](mailto:janet.hayes@opml.co.uk);

<https://www.opml.co.uk/projects/savings-frontier>;

Twitter @SavingsFrontier @SukhArora7

@OPMglobal @MastercardFdn

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# Annexes



# Growth of informal finance and relationships with formal finance 1

Category	Ghana		Tanzania		Zambia		Total	
	2011	2017	2011	2017	2011	2017	2011	2017
Findex Microdata (Analysis by SatF team)	2011	2017	2011	2017	2011	2017	2011	2017
Overall reach of formal	<b>34%</b>	<b>72%</b>	<b>34%</b>	<b>61%</b>	<b>23%</b>	<b>61%</b>	<b>32%</b>	<b>64%</b>
FFI account only	18%	11%	2%	3%	5%	8%	7%	6%
FFI account + mobile/card	12%	31%	15%	18%	16%	28%	14%	23%
Digital but no FFI account	4%	30%	17%	40%	2%	25%	11%	35%

Demirgüç-Kunt, Asli, Leora Klapper, Dorothe Singer, Saniya Ansar, and Jake Hess. 2018. The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. Washington, DC: World Bank. Ref: WLD\_2017\_FINDEX`\_v02\_M. Accessed at <http://microdata.worldbank.org/index.php/catalog/3324/study-description> on 2019 Jan 09

Does Informal Finance Still Matter? Evidence from Kenya, Ghana, Tanzania and Zambia <https://www.findevgateway.org/blog/2019/sep/does-informal-finance-still-matter>

# Growth of informal finance, and relationships with formal finance 2

Category	Ghana		Tanzania		Zambia		Total	
Findex Microdata (Analysis by SatF team)	2011	2017	2011	2017	2011	2017	2011	2017
<b>Informal (with/without formal)</b>	<b>10%</b>	<b>19%</b>	<b>8%</b>	<b>18%</b>	<b>7%</b>	<b>24%</b>	<b>8%</b>	<b>19%</b>
Overlap formal and ISM	6%	17%	6%	14%	2%	20%	5%	16%
ISM only	4%	2%	2%	4%	5%	4%	3%	3%
Category	Ghana		Tanzania		Zambia		Total	
Nothing outside cash/home	<b>62%</b>	<b>26%</b>	<b>64%</b>	<b>35%</b>	<b>72%</b>	<b>35%</b>	<b>65%</b>	<b>33%</b>

# G/T/Z comparison with Kenya (2011-17)

Category	Ghana, Tanzania and Zambia		Common findings	Kenya	
	2011	2017		2011	2017
<b>Findex Microdata (Analysis by SatF team)</b>	2011	2017		2011	2017
Informal (with/without active formal)	<b>8%</b>	<b>19%</b>		<b>19%</b>	<b>35%</b>
Overlap formal/ISM	5%	16%	Growing rapidly	18%	33%
ISM only	3%	3%	Tiny/Stagnant	1%	2%
Nothing active outside cash/home	70%	39%	Sharp decline	55%	18%
Total adult population (15+) million	48.87	58.74		24.22	29.59

**Source:** Does Informal Finance Still Matter? Evidence from Kenya, Ghana, Tanzania and Zambia  
<https://www.findevgateway.org/blog/2019/sep/does-informal-finance-still-matter>

# Kenya: a closer look

## Access Strand Kenya – Formal, Only Informal and Excluded



## Kenya – Changing usage of financial services (not unique)

Type of Financial Services	2006	2009	2013	2016	2019
<b>Bank (Traditional and mobile banking)</b>	14.0	20.5	29.2	34.4	40.8
<b>Mobile Money</b>	0	27.9	61.6	71.4	79.4
<b>Informal Groups</b>	<b>32.4</b>	<b>36.0</b>	<b>27.7</b>	<b>41.1</b>	<b>30.1</b>
<b>Digital Loans App</b>	0	0	0	0.6	8.3

Source: FinAccess Household Survey Kenya 2019; <https://fsdkenya.org/publication/finaccess2019/>

# Multiple use of financial services – Kenya (2006-19)

Use of financial services	2006	2009	2013	2016	2019
One type of financial service	39.8	36.1	26.9	22.6	15.3
<b>Two or more types of financial services</b>	<b>18.8</b>	<b>31.2</b>	<b>47.8</b>	<b>60.0</b>	<b>73.7</b>
None (Excluded)	41.3	32.7	25.4	17.4	11.0
<b>Total</b>	<b>99.9</b>	<b>100.0</b>	<b>100.1</b>	<b>100.0</b>	<b>100.0</b>

Source: FinAccess Household Survey Kenya 2019; <https://fsdkenya.org/publication/finaccess2019/>

# Implementation Timeline Example: Ghana

FSP/Activity	Access Bank	Emergent Technology (Interpay)	DSS
Call for Concept Notes – Ghana	01 September 2016		
Selection/ Business Plan Development Phase	Nov. 2017 – July 2018	June-Oct. 2017	May-Oct. 2017
Full Project Implementation started/ current status	July 2018 Slow roll out	Oct. 2017 Emerging	Oct. 2017 Almost Completed

Note: In addition to above three, initial SatF shortlist also included: Airtel, Capital Bank, GN Bank and uniBank (more details on Ghana financial sector in next Slide)

# Ghana – Implications of Changes in the Wider Financial Sector

- The Bank of Ghana (BoG) led clean-up of the banking sector August 2017-August 2019:
  - **Licenses of 420 financial institutions revoked** (considered insolvent/ inactive by BoG);
  - In September 2017 all universal banks were required to increase their minimum paid-up capital to GHC400 million (233% increase) by 31st December 2018 – which led to banks increasing their capital, mergers, closures and revocation of bank licenses;
  - Licenses of 347 microfinance institutions and 39 microcredit institutions revoked May 2019
  - 23 finance houses and savings and loans companies’ licenses revoked August 2019
- As a result – Affected savers perceptions of/ confidence in all financial institutions in Ghana; SatF stopped engagement with Capital Bank, uniBank and GN Bank, even though both GN Bank/ uniBank had already participated in SatF funded Business Plan Development Phase; One SatF partner had to make extra efforts in working on its B2B model with MFIs, S&L Companies and rural banks and lost a well performing partner midway during implementation;
- Airtel priorities changed due to merger with Tigo;

***“poor banking practices, coupled with weak supervision and regulation by the Bank of Ghana has significantly undermined the stability of the banking and other non-bank financial institutions”.***

**Governor BoG 20 March 2018**

# SatF Emerging Insights

- **Research**

- Getting closer: Expanding outreach and increasing usage through better placement of touchpoints (March 2020)
- How to improve liquidity management for agents serving small informal groups and savers (March 2020)
- Zambia: Zooming in on Informal Savings Mechanisms (Dec. 2019)
- Moving proximity from critical issue to addressable challenge: Possible approaches and tools (Oct.19)
- Briefing note: What low income savers in Tanzania really want from financial service providers
- Insights on the preferences and usage of financial services by savings groups in Tanzania (Jan. 18)

- **Blogs**

- Does informal finance still matter? Evidence from Kenya, Ghana, Tanzania and Zambia
- What do savings groups members in Tanzania really think about formal financial institutions?
- Change Management Inside Financial Service Providers: Takeaways from a Funder Partnering with African FSPs
- Bridging the Gap between Formal and Informal Savings in Ghana
- Do financial service providers really understand savings group members?
- Can Insights from Informal Groups help us move from Access to Usage?

- **Webinars**

- Mapping It Out: Practical Tools for Reaching Remote Clients
- Financial Inclusion in Africa: Is the Informal Sector Still Relevant?
- What Does Consumer Protection Mean for Savings Groups?

- **Videos**

- Maximus Susu (Emergent Payments Africa, a SatF partner)
- Humility Susu Enterprises (DSS Ghana, a SatF partner)

Much more available at  
<https://www.opml.co.uk/projects/savings-frontier>

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Lead Customer Value Team,  
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**Sukhwinder Arora** is an associate of OPM and Director/Promoter of Arora Associates Limited UK. He has more than 30 years' experience of scoping, designing, implementing, monitoring and evaluating financial and private sector development projects in over 30 countries (mainly in Sub Saharan Africa and South Asia). After 21 years of socio-economic development work in India, Sukhwinder shifted to work on global financial inclusion/ financial sector development issues, when he joined the DFID HQ based financial sector policy team in 2003. Sukhwinder worked as Private Sector Development Adviser for DFID during 1996-2007. Sukhwinder has served as team leader for a number of projects, including team leader for the conceptualisation and implementation of Savings at the Frontier program (2015-20). He has contributed to two books: *The Poor and their Money* (with Stuart Rutherford) and *Small Customer, Big Market: Commercial Banks in Microfinance* (with Malcolm Harper); and served as chairman of UK Microfinance club during 2010-13.

# Sukhwinder Arora



**Prabhat Labh** is the Chief Executive Officer of Grameen Foundation India. Prabhat worked at Mastercard Foundation during 2012-17, where he conceptualized and led the design of the Savings at the Frontier Program and managed it till 2017. He is an international development expert with over two decades of experience in leading programs and initiatives across twenty countries in Asia, Africa and North America. Prabhat brings deep domain of knowledge in financial inclusion, enterprise development and livelihood sectors. Besides, he also serves on various boards, investment committees and advisory committees and is frequently called upon to speak at national and global events. Prabhat is passionate about innovative business models that leverage technology and customer-centricity to drive inclusion and financial wellbeing at scale.

# Prabhat Labh



**Gerhard Coetzee** leads the customer value team at CGAP, including customer segments and insights, protection and value, and is also responsible for Gateway Academy, a digital learning platform. He has been an independent member of the *SatF Governance and Investment Committee* since early 2016. He is an Extraordinary Professor at the University of Stellenbosch Business School. Before CGAP, Mr. Coetzee was Head of Inclusive Banking at Absa Bank (South Africa) responsible for its branchless banking proposition, founder and Director of the Centre for Inclusive Banking in Africa, Professor in Agricultural Economics at the University of Pretoria, technical lead and CEO of a consulting firm (owned by DAI) and had several senior roles at the Development Bank of Southern Africa. His specialization areas are development finance, financial inclusion, agricultural finance, and rural development. He is published widely and has worked in several countries, the majority in Africa.

# Gerhard Coetzee