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Mastercard Foundation Savings Learning Lab

Savings count

Trends in access, use and the ecosystem of savings in Sub-Saharan Africa

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Results in development

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Acronyms

ADC	Alternative Delivery Channel
AFI	Alliance for Financial Inclusion
DRC	Democratic Republic of Congo
FSP	Financial Service Provider
IFC	International Finance Corporation
KYC	Know Your Customer
MNO	Mobile Network Operator
ROSCA	Rotating Savings and Credit Association
SACCO	Savings and Credit Cooperative Organization
SADC	Southern Africa Development Community
SBDM	Small Balance Deposit Mobilization
SILC	Savings and Internal Lending Committee
SSA	Sub-Saharan Africa
UNCDF	United Nations Capital Development Fund
VSLA	Village Savings and Loan Association
WSBI	The World Savings and Retail Banking Institute

Executive Summary

This 2018 report provides a comprehensive account of the state of access to and use of savings in Sub-Saharan Africa (SSA). Based on a detailed review of current literature and data, the key message of this report is that savings should be promoted more prominently and more explicitly within the broader financial inclusion agenda.

Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.[1]

Increasing poor people's ability to use savings mechanisms effectively is fundamental to shifting the industry's focus from access alone to financial health and meaningful financial inclusion.

Key messages:

- **Savings are critical** for poor people's consumption smoothing, risk management and financing of important life goals such as education and starting a business. Savings are also good for financial service providers' bottom lines and are required for economic growth.
- **Poor people in SSA continue to rely predominantly on informal savings and therefore do not benefit from formal financial services and products**. Less than a third of people in the region who saved in 2017 did so through formal financial institutions. While people who use informal savings value them, the arrangements do not offer the additional benefits of saving at a formal institution, such as security of funds and access to other services. Besides, large numbers of people are not able to save at all (46% according to 2017 Findex data).
- **Access to formal savings products is growing but many barriers remain.** Significant advances have been made in reaching poor people with the use of alternative delivery channels, the rise of digital financial services, the proliferation of linking savings groups to formal financial providers, and the use of customer-centric approaches. However, providers continue to struggle to serve this population segment with appropriate savings products. They face a number of challenges including high costs of providing services and low profit margins, insufficient understanding of their clients' behaviors resulting in product offerings that do not meet client needs, and the distance of clients from branches.
- **There is a need to build the evidence base** on what approaches work best for providers to deliver and maintain savings products sustainably. In addition, there is a need to build the evidence base on what policies and regulation need to be in place to generate an environment that could best facilitate the provision and uptake of savings products.

1 World Bank

1. Introduction

The consistent use of financial services can help the world's poorest people better manage risks, step out of poverty and build a better life. There is strong evidence that savings are an essential part of this package. Putting away money for tough times and for financing critical life goals is important for everyone, but particularly for poor people whose financial lives can be unpredictable.[2]

About this report

This report provides a comprehensive synthesis and analysis of trends in demand, supply and the ecosystem of savings for low-income individuals in SSA. It provides insights that support the case for placing access to suitable savings products at the heart of the financial inclusion agenda. Summaries and links to relevant data are provided in the report, which will be of interest to investors, donors, policy makers and regulators. The report also aims to assist financial service providers (FSPs) by providing an overview of market potential, client needs, and the current state of supply in the region.

A cornerstone of this report is a recent evidence mapping of savings initiatives conducted by Itad.[3] The report delves into other current literature on savings and various global databases including the 2017 Global Findex data. Literature and data is referenced throughout the main body of the report.

Chapter 2 focuses on the demand side. It reviews behavioral trends in savings by low-income customers and highlights demand-side drivers and barriers to savings. The importance of formal savings is discussed. Chapter 3 focuses on the supply side. It explores who provides savings services to low-income customers and highlights evolving business models that have made a difference. Chapter 4 considers the key policies and regulatory factors that are important to promote savings. Chapter 5 concludes by considering the implications, including an overview table outlining areas in which promising work is underway and areas where there is still a way to go.

2 Five ways universal financial access can help people build a better life, World Bank Blog
3 Savings Evidence Map, Itad.com

Why are savings important?

When savings are mobilized, there are benefits for customers, providers and the overall economy.

Extensive research demonstrates that poor people can and do save and that they benefit from savings immensely.[4]

This was confirmed in the majority of evidence included in a recent evidence-mapping of savings initiatives conducted by Itad.[5] The evidence points to a range of positive outcomes from savings including increased income, increased ability to smooth consumption, improved resilience and enhanced food security.

Analysis included in a systematic review of savings interventions in SSA[6] also reveals that the promotion of savings increases savings levels, supports investment in small-scale family business, and has significant impact on various dimensions of poverty.

For example:

- After being provided with savings accounts, market vendors in Kenya – primarily women – saved at a higher rate and invested 60% more in their businesses.
- Women-headed households in Nepal spent 15% more on nutritious foods (meat and fish) and 20% more on education after receiving free savings accounts.
- Farmers in Malawi who had their earnings deposited into savings accounts spent 13% more on farming equipment and increased their crop values by 15%.[7]

Emerging evidence on the effect of savings on interpersonal financial relationships[8] documents positive spillovers from savings: households that engage in savings activities become less reliant on grown children and siblings living outside their village and become more supportive of neighbors and friends within their village. These findings suggest that the benefits of savings can accrue beyond the households that take up savings.

Client story
Daphrose has big plans but has been through a difficult struggle. Her parents and the father of her baby abandoned and vilified Daphrose after she became pregnant. While she lived with her family after her son was born, she had no external support or means to provide for her child. She became a beggar.

In 2014 she joined the POWER Africa program. Her savings and access to credit allowed her to buy a sewing machine, then a goat. She used the money from the businesses she established to buy food and clothes for her son. As her businesses expanded she was able to send her deceased sister's four children to school. She wants to continue to build her businesses and build a house on the plot that she won after challenging the local government.

Source: https://power.care.ca/

4 Examples of this research include Portfolios of the Poor
5 Mastercard Foundation Savings Learning Lab
6 Do saving promotion interventions help alleviate poverty in Sub-Saharan Africa?
7 Global Findex 2017
8 The Effect of Savings Accounts on Interpersonal Financial Relationships: Evidence from a Field Experiment in Rural Kenya

Savings deposits are an important source of capital for financial service providers.

Deposits are a less expensive source of capital than commercial loans. They reduce dependency on external borrowing and generate additional benefits related to gaining new customers and deepening engagement with existing ones. Serving low-income segments of the population can be costly and financial service providers often have limited understanding of these customers' needs and behaviors. However, a growing number of providers can see the potential of this market and are looking to develop sustainable business models to serve low-income clients.

Mobilizing savings is critical for societal welfare.

Domestic savings are an important component of domestic financial investment that contributes to economic growth. Savings rates are strongly predictive of future economic growth.[9] High savings rates allow for more investment, which can in turn increase the production of goods and services and support job creation.[10]

9 Savings by and For the Poor: A Research Review and Agenda
10 Revisiting the causal nexus between savings and economic growth in India

2. Savings behaviors and preferences of low-income customers in Sub-Saharan Africa

Evidence from household surveys and financial diaries indicates that poor people have substantial latent demand for savings in SSA.[11] Savings are an integral part of people's financial strategies with 54% of adults reporting to have saved in the past 12 months. This is higher than the world average (48%) and much higher compared to the combined average of low- and middle-income economies (43%).[12]

This section provides an overview of the literature that answers the following questions:

- Why do poor people save in SSA?
- Where and how do they save?
- How do savings behaviors vary across the region?
- What barriers to saving do poor people face?

Why do poor people save?

Given their unpredictable income, poor people in particular rely on savings to smooth consumption, cope with risk, invest in education and undertake productive activities. Rates of savings for business-related expenses in SSA are higher than in other regions which demonstrates the importance of savings for entrepreneurs in the region.

The Finscope surveys in Tanzania, Zambia, Rwanda, and the FinAccess household survey in Kenya asked respondents why they save. The findings from all the surveys included in the figures below suggest the following priorities:

(i) The bulk of savings are used to meet **living expenses and manage household cash flows**. As most adults in these economies rely on irregular incomes, savings are essential to meet recurring expenses.

(ii) The second most important reason for saving is to deal with unexpected **emergencies**, often health expenses. Even in Rwanda, where a large portion of the population is covered by the national health insurance programs, people use their savings for meeting emergency health needs.

(iii) Lastly savings for **educational expenses and investment in business or livestock** also feature prominently in responses. These represent additional priorities for many households.

11 Savings by and for the Poor: A Research Review and Agenda
12 Global Findex 2017

Figure 1 Reasons for Saving - Kenya[13]

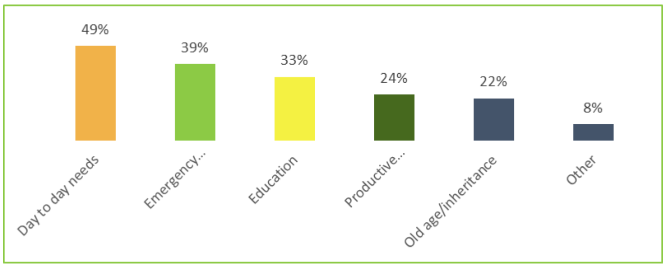


Figure 2 Reasons for Saving - Uganda[14]

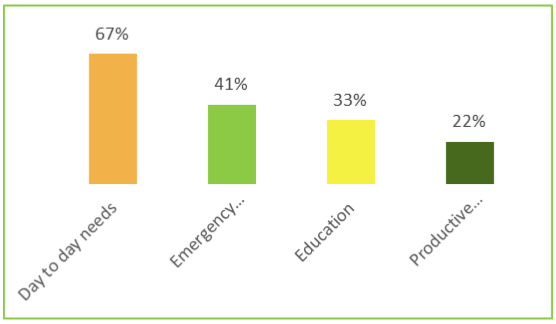


Figure 3 Reasons for Saving - Rwanda[15]

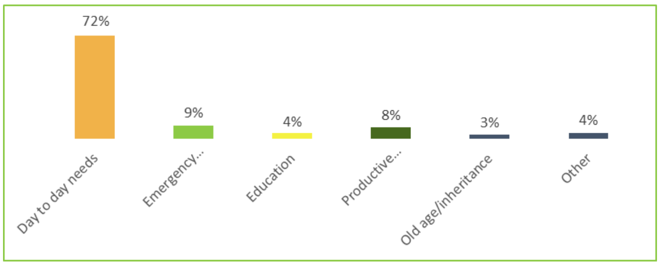
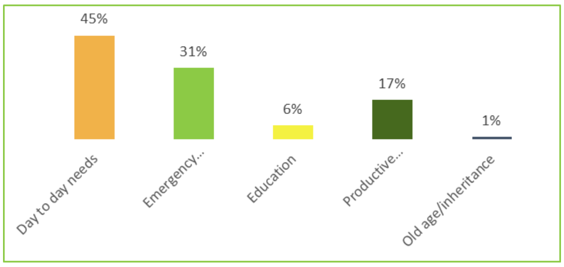


Figure 4 Reasons for Saving - Tanzania[16]



The 2017 Global Findex report also reveals that saving for investment in a business is especially common in many SSA countries. For example, at least 29% of adults reported having done so across six countries[17]; this is twice the global average. While the majority of people saving to invest in a business in these six countries have a bank account, more than half reported having saved only in non-formal ways, such as through a savings club or in the form of livestock, jewelry or real estate.

Where and how do people save?

Savers are a diverse group and use a variety of savings mechanisms depending on their needs. Account ownership at a formal financial service provider has increased significantly across the region in the past years. Yet most poor people continue to save informally and nearly half of people in SSA do not manage to save at all.

Informal savings mechanisms

Poor people use a wide range of savings mechanisms, both formal and informal. Formal mechanisms include accounts at formal institutions such as banks, credit unions, microfinance institutions, and mobile money providers. Informal mechanisms include savings groups (including VSLAs and SILCs),[18] informal savings clubs (ROSCAs),[19] trusted people outside or inside the family and secret cash savings hidden in the home.

Data from the 2017 Global Findex indicates that in SSA, informal saving is much more common than formal saving. In eight out of ten economies in SSA, more adults reported having saved informally in the past year than reported having saved formally. This suggests that informal mechanisms offer products or

13 FinAccess
14 FinScope Uganda
15 FinScope Rwanda
16 FinScope Tanzania
17 Ethiopia, Kenya, Liberia, Nigeria, Uganda, and Zambia.
18 VSLA (Village Savings and Loans Associations using a model pioneered by CARE); SILC (Savings and Internal Lending Committees developed by CRS).
19 Traditional community methods of savings – Rotating Savings and Credit Associations.

benefits that are not available through saving at a financial institution alone**,** such as trust, convenience and community building.

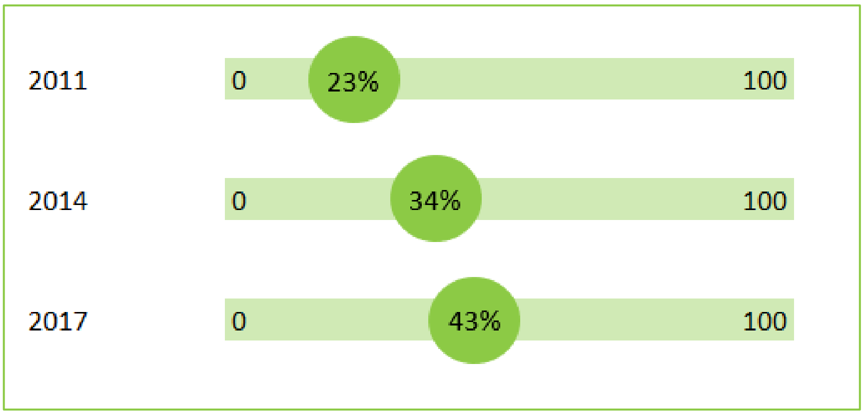
However, informal mechanisms tend to offer limited functionality which can lead to lower saving rates and hence limit the impact savings can have on the savers.[20] For example, members are rarely able to save for longer than a year, which prevents them from saving enough to cover larger purchases related to housing, farming equipment or other productive investments. As groups mature, some informal savers seek the safety and security of a formal account to hold their growing savings. They often also need larger loans than the group can provide.[21] Informal savers can also miss out on other benefits of formal financial inclusion such as building financial histories and accessing other services such as payments and insurance.

Informal savings mechanisms will clearly continue to play an important role in the region. They can act as a stepping stone to financial inclusion, provide savings options in areas where formal access is not adequate or available, and can serve as mechanisms to build strong saving cultures. However, shifting to formal savings represents a significant opportunity for the world's poorest people to reap the benefits of full financial inclusion.

Formal savings

Account ownership in SSA has increased from 23.2% in 2011 to 42.6% in 2017.[22]

Figure 5 Change in Account Ownership in SSA



Most of this growth has been driven by mobile money. SSA is the global leader in mobile money with 21% of adults in the region having a mobile money account. Nearly half of those with a mobile money account do not have a bank account or an account with another type of formal financial institution.[23]

However, not all of those who have an account use the account to save. Poor people tend to use their accounts to receive remittances, salary or government transfers. Many withdraw these funds immediately to meet regular spending commitments. Similarly, mobile money accounts are not normally used for saving. Only one-third of the registered accounts in 2017 were active on a 90-day basis, and people mostly used them for payments and transfers and not for storing value. [24] These low use rates are indicative of why access is not a sufficient measure of financial inclusion. The benefits of savings to clients are not derived from account ownership per se, but from their ability to use it consistently. These low rates of use demonstrate why it is important to understand savings behavior and not simply track access to accounts.

Account ownership and saving behavior by individual characteristics[25]

The growth in account ownership that has been seen in SSA has not been uniform. Women, youth and the poorest experience the largest gap in formal account ownership.

20 Savings by and for the Poor: A Research Review and Agenda
21 Connecting the World's Poorest to the Global Economy
22Global Findex 2017.
23 The 2017 Global Findex database defines account ownership as having an account either at a financial institution or through a mobile money provider. The first category includes accounts at a bank or another type of formal, regulated financial institution, such as a credit union, a cooperative, or a microfinance institution. The second consists of mobile phone–based services, not linked to a financial institution.
24 GSMA State of Industry Report, 2017.
25 Global Findex 2017.

Savings behavior by gender

Figure 6 Account Ownership (gender)

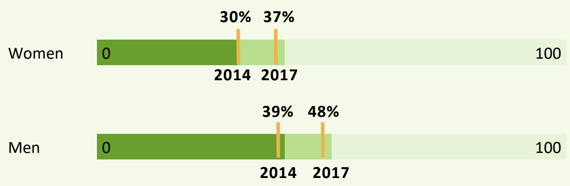
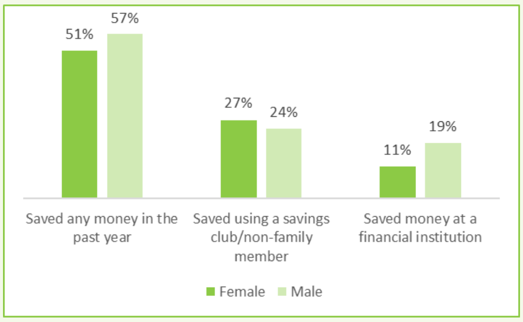


Figure 7 Savings Behavior (gender)



In SSA, a persistent gap in account ownership between men and women continues to exist, despite an overall growth in access. However, the gender gap for savings behavior (saving in the past 12 months) is slightly narrower. Interestingly more women than men report saving informally through a saving club or person outside the family. This implies that there is opportunity to close the gender gap with products that can meet these needs.

Savings behavior in youth

Figure 8 Account Ownership (youth)

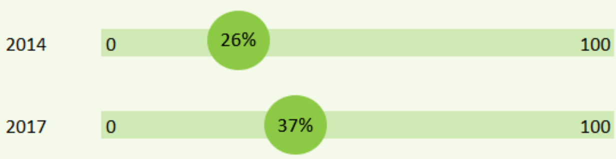
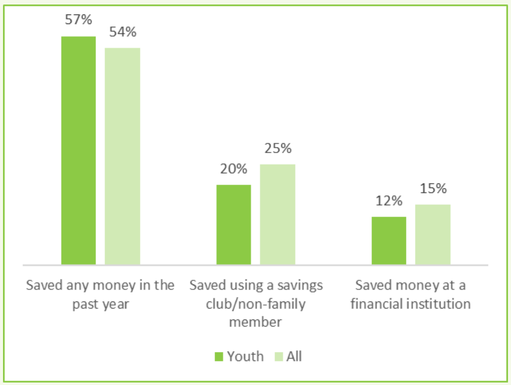


Figure 9 Savings Behavior (youth)



Africa is experiencing a youth bulge with about 60% of the population under the age of 25. This demographic shift represents an enormous opportunity for economic growth across the continent, but the lack of financial inclusion can be a major road-block. While account ownership in this category has increased significantly since 2014 (from 26% to 37%), it continues to lag behind overall account ownership in SSA. Over 57% of youth reportedly saved in the past 12 months, which is higher than the percentage of everyone who saved in the same period. Notably, only 12% reported to have saved through financial institutions.

Savings behavior among the poorest

Figure 10 Account Ownership (poorest)

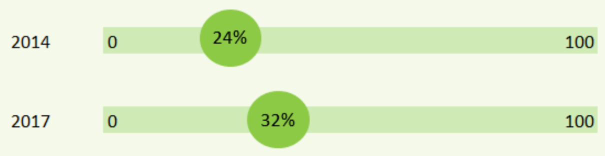
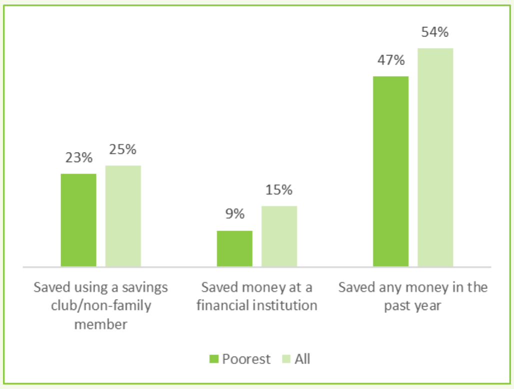


Figure 11 Savings behavior (poorest)

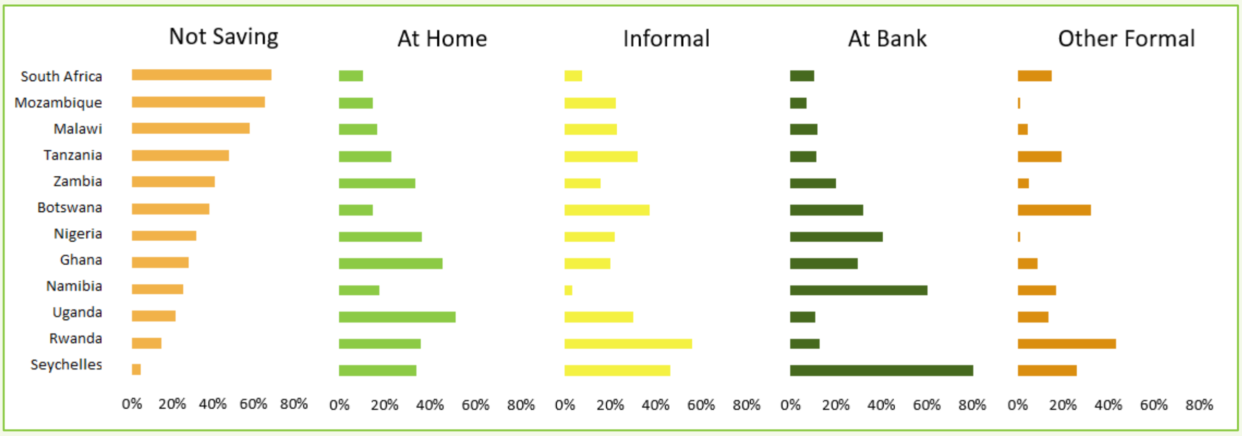


The poorest 40% of the population experience the lowest rates of account ownership in SSA despite this segment's particular need for cashflow management in light of unpredictable incomes. They also seem less able to save than the overall population; but still 47% of them managed to do so in the past 12 months. They also save the least with formal institutions (only 9%).

How do savings behaviors vary across the region?

There are significant differences in savings behaviors across the region. Examples of differences by region and by individual characteristic are outlined below.

Figure 8 Savings behavior by country



Source : National Surveys, Multiple Years http://www.i2ifacility.org/data-portal[26]
** Nigeria data is from EFInA Access to Financial Services in Nigeria 2016 survey

In Nigeria, 40% of those who save, save at banks, but almost an equal percentage of people save at home.

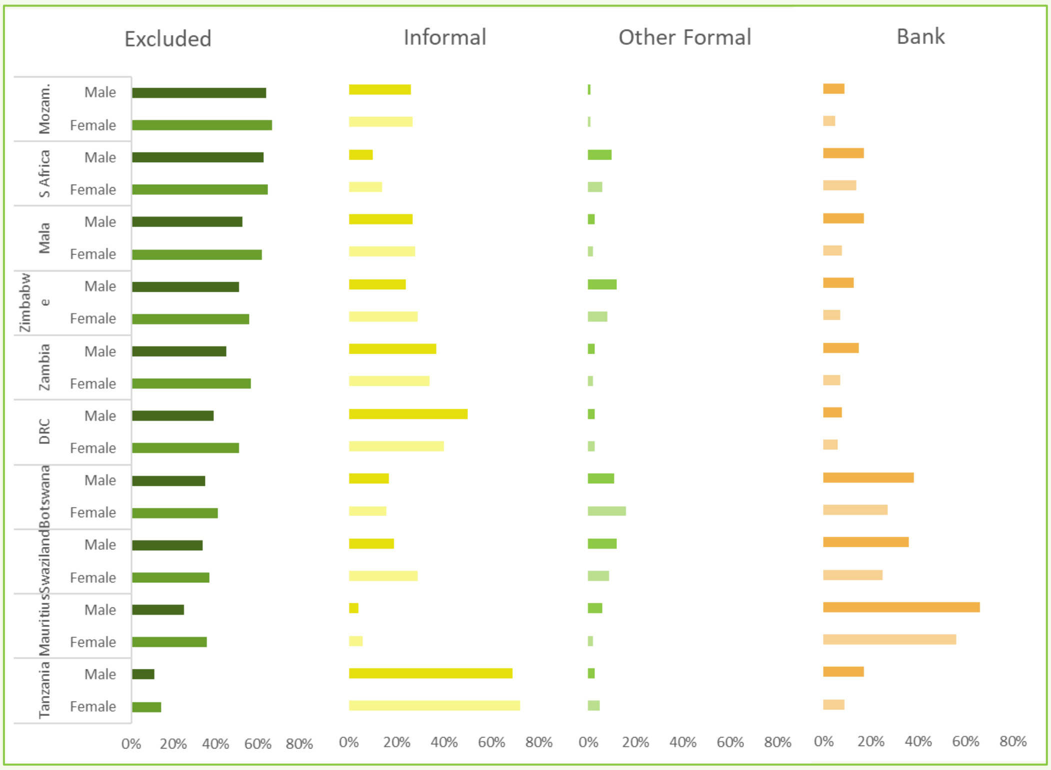
In Rwanda, over 85% of people save, but most do not save at banks; Savings and Credit Cooperative Organizations (SACCOs) and savings groups are by far the most popular way of saving.

At the other end of the spectrum, savings rates are relatively low in Mozambique, Malawi, and Uganda – all rural economies – and the percentage of people saving with formal financial service providers is less than 10%.

Across the 11 countries included in the i2i data portal, at least 15% of the people save at home and in the case of Uganda, almost half of savings are at home.

26 Tanzania (2017), Uganda (2013), Rwanda (2016), Ghana (2010) Mozambique (2014), Zambia (2015), South Africa (2014),Botswana (2014), Malawi (2014), Namibia (2011), Seychelles (2016), Nigeria (2016).

Figure 9 Savings exclusion by gender



The savings gender gap varies significantly across SSA.[27]

In the Southern Africa Development Community (SADC) region it ranges from 11% in Botswana and Swaziland to 2% in Democratic Republic of Congo, 3% in South Africa and 4% in Mozambique. Overall, as also illustrated by the 2017 Global Findex figures, more women are excluded from the savings market even after accounting for informal savings mechanisms which women are more likely to use than men.

Figure 10 Savings behavior youth under 18

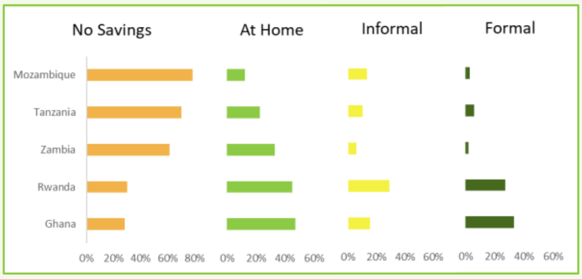
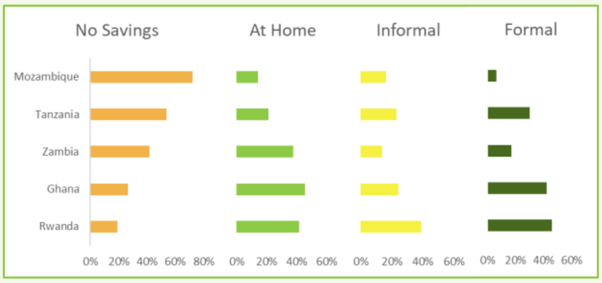


Figure 11 Savings behavior youth 18-25



For **youth** under the age of 18, saving at a bank or formal financial institution is particularly challenging given legal restrictions on account ownership by minors, as well as cumbersome Know Your Customer (KYC) rules. Some financial service providers have devised creative solutions to alleviate regulatory burdens.

In Ghana, for example, HFC Bank allows youth to open an account if a parent is the co-owner, or with the supervision of a teacher or other caretaker.[28]

Uganda Finance Trust and Opportunity International Bank Malawi both allow in-school youth to use their school identification to open accounts; out-of-school youth can open accounts with a letter from a village leader or church committee member. Another option for identification is mobile-based PIN numbers.

27 Gender and Financial Inclusion, Finmark Trust 2016.
28 Financial Services for Young People: Prospects and Challenges

In contrast to youth under the age of 18, youth between the ages of 18–25 have higher levels of formal financial inclusion. They are more likely to be employed or running their own business and they don't face the same limitation in terms of identification documents. More youth in this age group also save informally.

These regional differences exist due to a number of reasons including variances in the enabling policy and regulatory environment, the type of financial service providers present in different markets, the stage of the financial sector development, and local norms and practices. Further research is warranted to increase understanding of how these factors contribute to these differences and if other reasons exist.

What barriers to saving do poor people face?

Significant barriers to saving still exist for many people in the region: 46% of people responding to the Findex survey did not manage to save at all in the previous year. Demand-side barriers include the perception of having too little money to save, intra-household dynamics and social norms and behavioral biases. Supply related barriers include prohibitive account opening procedures, cost to open and maintain accounts and distance to a service provider.

While savings rates are higher in SSA than in other developing regions, they are still lower than in higher-income regions. The persistence of dormant accounts and infrequent use of digital savings – along with poor households' predominant use of informal savings mechanisms – indicate that people, particularly the poor, continue to face significant barriers to formal saving.

Demand-side barriers are relevant to both formal and informal savings and include intra-household dynamics such as differential decision-making power between household members. Women for example often have less agency over their decisions, which contributes to them under-saving.

Inter-household barriers also exist. These include demands on available cash from outside the household such as from social networks and norms. For example, emerging evidence indicates that when individuals expect to have social claimants for their money they tend to save less.

Various behavioral biases undermine individuals' savings abilities. For example, people often struggle with self-discipline in saving. Often, people are not inclined to plan for the long term, especially in the presence of day-to-day challenges in meeting financial needs. These behavioral patterns prevent them from saving consistently for infrequent and relatively large expenditures such as school fees or business investment.[29]

Supply related barriers include a lack of trust in formal institutions, costs such as account opening and withdrawal fees and minimum balance requirements, regulatory challenges (often related to identification documents needed to meet Know Your Customer (KYC) requirements), lack of flexibility offered by most savings products, and distance to banks. This is reinforced by the 2017 Global Findex survey that asked adults without a financial institution account why they do not have one.

- The most common reason was having too little money to use an account; two thirds provided this reason and roughly a fifth cited it as the sole reason.
- Cost and distance were each cited by about a quarter of those responding and a similar share said they do not have an account because a family member already has one.
- Lack of documentation and distrust in the financial system were both cited by roughly a fifth of respondents.[30]

29 Savings by and for the Poor: A Research Review and Agenda
30 Global Findex 2017.

In their own words:

> "I never leave my [DFS] account with more than 50 US dollars for long. DRC is an unstable country where anything can happen, and I will never forget the disasters that hit the banking service in the past. So I don't have much trust in it and I use my account carefully."
>
> "I don't know anyone personally who has had their money stolen from their account, but I have heard it on the news. Generally such banking practices have put me off mobile banking and mobile money. With this technology, someone can hack into your account and you wouldn't even know it."
>
> "I'm really trying to save money to get my own motorbike … Some days I don't even have 1,000 francs for the tontine, because work doesn't always bring in these sums. If I can, I put 500 francs to one side for those days, and I try to have 1,500 francs the following day to make up. That's why I never opened a bank account – it's harder to keep up with. With the tontine it's easy to get a motorbike because they have a sense of solidarity, unlike banks."
>
> "Bank accounts are prestigious and it would be nice to have one. But we are just not the right class. The banks require so many papers to fill in just to open an account. You also find that the buildings themselves are intimidating with those flashy windows. I passed through one bank where you can't be served unless you press a machine for a ticket."[31]

> "You cannot keep money at home because you will always be tempted to use it, so SILC gives you a good way to save. And it is good to save, as it can support further planning" male SILC member, Omadira, Uganda.[32]

> "Banks are for the rich", World Vision, Vélingara, Senegal; SILC is already accessible to the poor – it is for those of us who cannot go to banks. It is a system that comes to us. (focus group discussion, former SILC members, Fafacourou, Senegal)[33]

31 An Ethnographic Study of the Perceptions and Attitudes to Digital Financial Services in Sub-Saharan Africa
32 Uganda Country Report, EFI Ethnographic Research
33 Senegal Country Report, EFI Ethnographic Research

3. Who serves this market and how?

The low-income savings market is served by a range of providers such as banks, microfinance institutions, savings and credit cooperatives, and mobile money providers. All providers continue to face challenges in reaching this market segment. This is because poor people tend to keep small balances, transact often and live and work far from traditional banking outlets. Despite the challenges, several successful approaches have bridged the gap between the demand for and supply of formal savings to low-income clients.

This section discusses business model frameworks and then look at alternative delivery channels, mobile technology, linking savings groups to formal finance, behavioral interventions to influence the uptake of savings and data-driven innovations in service provision.

Business model frameworks

Providing savings products sustainably to low income clients often requires Financial Service Providers (FSPs) to follow a number of different avenues. There are several key considerations that FSPs should take account of when assessing how to serve these markets.

Research from the Gateway Financial Innovations for Savings project highlights that while initially framed as an issue mainly of product innovation, improving the profitability of a savings account demands three things:

(i) **Innovations in service channels**, including the use of alternative delivery channels such as mobile banking.

(ii) **Improved internal structures**, such as the creation of banking divisions with explicit responsibilities for serving low-income clients to ensure that new products and channels are managed in a more integrated way.

(iii) **New business models**, for example, that combine big data from mass-market accounts with qualitative survey insights to better understand low-income client bases. This has enabled banks to identity potentially active clients, which in turn has increased the odds of cross-selling other products.[34]

In addition, United Nations Capital Development Fund's (UNCDF's) MicroLead's research on the business case for small balance deposit mobilization (SBDM) shows that providers interested in serving low-income markets are taking a long-term view and do not expect profits immediately. They also view savings mobilization among low-income segments through a "customer lifetime value lens" which calculates the expected profitability of investments over the entire duration of the client's relationship with the provider.

34 Big Banks and Small Savers – A new path to profitability, Gateway Financial Innovations for Savings Project Report

Framework for small balance deposit mobilization

UNCDF has developed a "Small Balance Deposit Mobilization (SBDM) Framework" to identify different pathways to viability for financial service providers. This draws on the experiences from MicroLead that has sought to offer viable and profitable low balance accounts to rural populations. The framework analyses the different "levers" FSPs can use to reduce their costs and increase outreach. It begins with a set of environmental factors that are pertinent considerations for providers assessing the business case for SBDM. These environmental factors are set at the market, institutional and customer segment levels.

The external and internal context in which an FSP operates is critical when assessing whether to mobilize small balance deposits or not. Environmental factors include the degree of competition and an FSP's funding sources and costs. Other factors, like an institution's brand, size and mission, influence the approach to mobilizing small bank deposits. These market and institutional contexts in turn influence which customer segments an FSP chooses to target, such as rural or urban customers, men or women, salaried or self-employed workers, and new or existing customers. Coupled with demand-side factors, they influence how strong the business case is for serving different segments.

The framework also outlines a set of 12 viability levers – strategies to boost revenue or minimize costs – that institutions have found helpful to improve the business case for offering small deposits. These viability levers are divided into four categories of costs and revenue streams called "FAMS": Funding, Acquisition, Maintenance, and Servicing. The more an institution is positioned to effectively "pull" a combination of these 12 levers, the stronger the business case for small balance deposit mobilization will be.

The framework illustrates that there is not a single pathway to making SBDM viable, but there are a set of conditions under which the business case will be stronger, as well as levers institutions can pull to make it more viable.

Source: UNCDF, Pulling Levers Toward Sustainability – A Framework for Small Balance Deposit Mobilization.

Beyond branches: alternative delivery channels

Alternative delivery channels aim to respond to the demand for financial services anytime, anywhere, anyhow. They are playing a major part in extending the reach of savings in the region, serving more clients more effectively with reduced costs and improved service quality.

An Alternative Delivery Channel (ADC) is any channel that is not a full-service brick-and-mortar branch and which offers a full range of FSP services. They include ATMs, agents, mobile phone banking, online banking, call centers, limited service branches, and roving staff such as *susu* collectors or mobile vans.

ADCs increase the reach of financial services beyond traditional branches, responding to the demand for access anytime, anywhere, anyhow. For providers, ADCs can be an opportunity to serve more clients more effectively by reducing costs, driving growth and improving service quality. For clients, early evidence indicates that banking through ADCs contributes to client welfare by delivering more convenient financial services at a lower cost.[35] However, significant barriers to uptake and use remain. These include the lack of channel reliability to perform transactions, lack of integrity such as fraud by agents or misuse of client data, and limitations due to undertrained personnel and regulatory restrictions. [36]

In a recent MIX survey,[37] over 60% of FSPs stated that they already deliver services to customers through channels outside the branch. While FSPs most frequently cited the use of agents (in over 70% of cases), most FSPs use other ADCs.

35 Breaking Free of the Branch: Microfinance Institutions and Alternate Delivery Channels in Sub-Saharan Africa
36 Alternative Delivery Channels for Financial Inclusion.
37 Measuring the performance of alternative delivery channels.

The role of ADCs in deposit mobilization

According to the MIX survey of FSPs, cost efficiency and new client outreach are the primary reasons for adopting ADCs. There is strong belief among providers that the costs of basic transactions (deposits and withdrawals) will decrease if they are performed through agents or mobile phones, and that transaction cost ratios will also decrease in the long run as branches close or are repurposed for other tasks.

In addition, providers view the use of ADCs as client-centric approaches to delivering financial services given that these channels help clients overcome the geographic and time constraints they face when banking at branches. As a result, ADCs can support raising deposit levels and diversifying revenues.

The MIX survey also reveals that the majority of FSPs do not yet regularly track the average deposit or withdrawal sizes of clients added through ADCs. This would help them better understand how different client segments contribute to deposit mobilization goals. Similarly, few FSPs are able to readily report on differential behaviors between men and women, such as activity levels, use of different channels or typical transaction sizes.

Source: MIX, Measuring The Performance of Alternative Delivery Channels

Leveraging mobile technology

Mobile technologies help to bridge the financial inclusion gap and overcome barriers in access to financial services (including savings services) offered by traditional banks. Advances in technology have been a catalyst for overcoming geographic and infrastructure barriers to allow clients to access savings products.

The GSMA 2017 State of Sector report shows that of the 690 million registered mobile money accounts worldwide (a 25% increase from 2016) almost half are in SSA.

Beyond being an innovative and accessible tool for financial payments, mobile money has grown to offer options for saving and borrowing money, supporting people in managing financial risks and household shocks. 2017 saw the beginning of a potentially significant shift for mobile money, with it increasingly being used as a tool for saving money and earning interest.[38] 22% of mobile money providers taking part in GSMA's Global Adoption Survey currently offer a mobile money-enabled saving, pension or investment product.

The survey results also suggest that this number is set to increase markedly, with an additional 39% of institutions reporting that they are planning to roll out similar products within the next 12 months. Data also suggest that some customers view dedicated savings accounts enabled by mobile money as a trustworthy channel to save funds.[39]

Mobile enabled savings
GSMA Mobile Money defines mobile money savings services as those which meet the following criteria:

- To use the service, the customer must have a mobile money account.
- The savings service allows subscribers to save money in a dedicated account that provides principal security and in some cases, an interest rate.
- The customer should be able to store value electronically in the savings account, and be able to transfer funds to/from a mobile money account.
- The savings or investment product should be integrated technically with the mobile money account, and rely heavily on mobile technology throughout the customer journey.
- Services where the mobile phone is just another channel to access a traditional savings account are not included.

The service must be available for customers on any type of mobile device (including smartphones).

Partnerships between mobile network operators and financial institutions – especially banks – have enabled the mobilization of savings and provision of loans through mobile money. A leading example is M-

38 GSMA State of the Sector, 2017
39 GSMA's Global Adoption Survey, GSMA State of Sector Report 2017

Shwari banking service in Kenya, a partnership between Safaricom (Kenya's leading telecommunications service provider, with a customer market share of nearly 70%) and CBA (a mid-sized bank in Kenya). The mobile money services offered through this partnership reached 10 million customers within 18 months of launch, in part because they were cross-sold to users of Safaricom's M-Pesa.[40]

Although mobile money offers huge potential for savings, several challenges remain:

(i) **Low use of mobile accounts** represents a persistent challenge for mobile money providers. While a growing number of mobile money services are achieving activity rates of well over 60%, only about one third of the mobile accounts in SSA are used within a 90-day period.[41] Even the accounts that are used are mostly empty and not being used for saving.[42]

(ii) **A digital divide** has the potential for mobile money to further exclude or even harm the already hard-to-reach and marginalized. Key drivers of this divide include the inadequate infrastructure to support digital financial services in rural areas (electricity, mobile towers); fewer smartphones among women and the poor; high number of people who cannot read, write or understand the long number strings and options to properly use digital financial services; and the low level of trust in technology.[43]

(iii) **Data privacy:** with the proliferation of services that may be little understood by low-income clients, concerns continue to grow relating to customers' data privacy.[44]

Linking savings groups with formal financial service providers

Over the last decade, facilitating agencies have pioneered efforts to link savings groups to formal financial institutions. They have worked with banks to design new products, trained groups and developed business cases for group savings products.

Participation in savings groups provide a number of benefits to members as discussed in Section 2 of this report. However, as savings groups mature, many members reach a stage at which they essentially outgrow the savings group model and articulate the desire for access to formal savings.

Over the last decade, facilitating agencies such as CARE have pioneered efforts to link savings groups to formal financial institutions. In 2016, "The State of Linkage Report"[45] identified 106 active savings group products offered by 95 formal financial institutions across 27 countries. Nearly two-thirds of all identified linkage products are found in SSA.

Linkages can benefit both savings groups and providers. For savings groups, formal accounts provide greater security for accumulated funds, represent long-term savings opportunities beyond annual operating cycles, create formal financial histories for savings groups and individual members, and open access to other services offered by the formal providers.

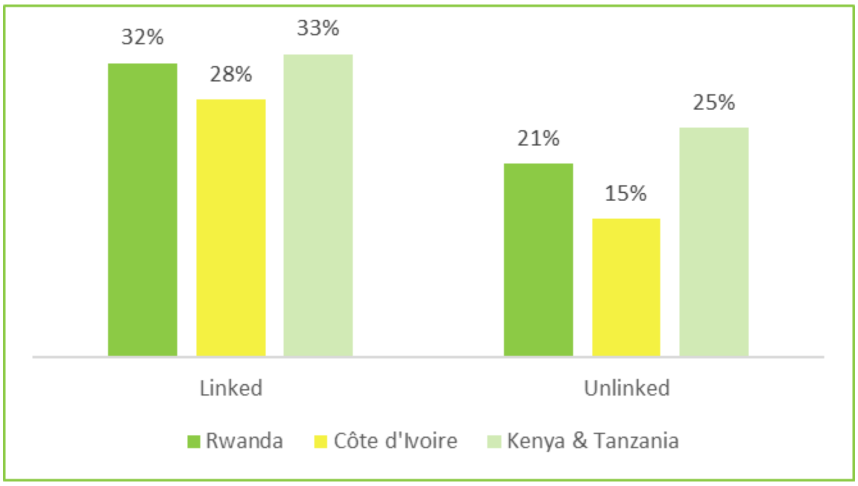
Emerging evidence from CARE[46] (and outlined in Figure 16) indicates that members of linked groups save and earn significantly more money than members of groups that are not linked. Women's individual account ownership also increased after groups were linked to formal financial institutions, helping to close the gender access gap. However, there are still concerns relating to the potentially negative impact on group dynamics and social cohesion when groups link with formal providers.

For FSPs, linking with groups can provide several benefits. These include opportunities to mobilize new deposits and to lower client acquisition costs in doing so, given that multiple clients are brought in

40 M-Pesa maintains top slot of mobile money, accessed May 8, 2018
41 GSMA State of the Sector, 2017
42 How can users begin to keep money digital, longer?
43 The Clear Blue Water on the Other Side of the Digital Divide, Blog post
44 Learning Advances in Digital Finance 2017
45 The State of Linkage Report 2016
46 The Outcomes of Bank Linkages.

through a single entry point. Linkages can also help FSPs improve liquidity management given the predictable nature of savings groups cash flows, and to differentiate themselves from competition.[47]

Figure 12 Saving levels – Linked vs. Unlinked SGs



Several linkage models have emerged in recent years. These include models in which facilitating agencies train groups on the benefits, risks and functionality of formal products and facilitate connections with trusted FSPs. Other models are led by the FSPs themselves who hire and train community-based trainers to either find existing groups or form new groups and help them with the linkage process. The SEEP Network, supported by the Mastercard Foundation Savings Learning Lab recently undertook a Peer Learning Group that reviewed the different models that have emerged.[48] Many FSPs now offer accounts that allow savings groups to save as a single entity, as well as individual accounts for individual members in the groups. These savings accounts are tailored to meet the specific needs and functionalities of the savings group.

Despite these significant advances, linkage efforts are often complex and business models are still being developed. Learnings from CARE indicate five items which are key to linkage success:

(i) the group's internal fund utilization rate;

(ii) the proportion of members engaged in income-generating activities;

(iii) the group's location relative to the nearest access point;

(iv) the group meetings' attendance rate among group members; and

(v) the level of existing mobile money experience/digital literacy. [49]

PostBank Uganda, Tanzania and Kenya

In Uganda, Tanzania, and Kenya, national PostBanks have introduced several product adaptations because they have concluded that adapting products to group characteristics is good business. These product adaptations have been supported by the World Savings and Retail Banking Institute. They have included both group and individual member savings and loan accounts with minimal KYC requirements and the elimination of fees on weekly deposits and withdrawals.

To further reduce transaction costs, the banks introduced mobile wallets which are linked to client accounts. Group signatories can disburse funds to individual accounts and/or mobile wallets. Customers can make free transfers between themselves to settle small bills and withdraw/deposit at proprietary agent locations using point of sale devices and/or phone terminals. Mobile vans are used at some locations. Group account transactions are secured through a three-signatory – or in

47 Delivering Formal Financial Services to Savings Groups: A Handbook for Financial Service Providers
48 Upcoming on SEEP
49 Savings Groups and Linkages, Blog post

the case of mobile transactions, three-pin – authorization system, and free SMS alerts are sent to other members for all transactions.

In less than four years, PostBank Uganda, which works with a number of local and international non-governmental organizations (NGOs), has opened over 30,000 group accounts with over half a million members, mobilizing $3 million in group savings and $250,000 in individual savings. The growth in PostBank's customer and savings base from this new market is such that the bank's fixed overheads are now spread over six to seven times more active users.

In Tanzania, the bank has registered over 6,000 groups, mobilizing $2.2 million in group savings and $520,000 in individual savings. This project reached break-even within eight months and generated a 16% return on investment in the first year.

Source: The SEEP Network, Delivering Formal Financial Services to savings groups: A Handbook for FSPs

Behavioral interventions to influence savings

Financial service providers are increasingly using customer-centric approaches to innovate their savings services and thereby reduce costs and increase value to customers.

As providers develop new channels for reaching customers who have not walked into a bank branch before, customer-centric approaches such as the use of human-centered design (HCD) have the potential to support the development products and services that truly meet the needs of customers. Well-established in other industries and increasingly adopted in financial inclusion, HCD is an innovation process built on learning directly from customers in their own environments and then quickly developing and refining concepts with customers themselves.[50]

In addition to product development, by translating insights from how poor people make financial decisions and manage their money into practical solutions, providers can reduce client acquisition costs, improve retention and reduce dormancy. A recent study[51] identified 18 unique behavioral interventions that providers have implemented successfully to influence savings, credit, payment and insurance decisions of individuals. The following types of interventions have shown promise for increasing savings uptake and use:

(i) **Client choice architecture** such as opt in/opt out default choices that are pre-selected for the customer. For example, a savings contribution level or amount per time period, that will prevail unless the consumer selects an alternative.

(ii) **Commitment features**, which are product features that commit customers to a course of action or goal. These can be classified broadly into hard commitments or soft commitments based on how much flexibility they allow customers. These include earmarking/labeling of a savings product such as for education or business; commitment devices that restrict or disincentivize a set of future choices (such as a fee-for-early-savings withdrawal). Insights from research and practice suggest that low-income clients respond best to more flexible commitment features, which take into account their more precarious financial lives.

(iii) **Pricing and financial benefits** where the price of a product is amended or a financial incentive is provided to individuals to take up or use the financial product in a particular way. These include standard incentives such as a transport voucher for opening accounts; a prize such as eligibility for a lottery if they deposit a certain amount in their savings account.

(iv) **Client communication** focused on influencing financial decisions. This includes SMS reminders and advertising an aspirational image to position a savings product that would solicit an emotional response from the customers and prompt them to save.

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50 Insights into Action – What Human Centered Design Means for Financial Inclusion
51 Behavioral Interventions that Advance Financial Inclusion

Data-driven innovations in service provision

Harvesting data into actionable information and knowledge by applying data analytics can benefit financial service providers in three main areas: finding new customers, deepening customer relationships and managing risks. Current practices are still emergent and concerns around customer data privacy need to be taken into account.

Two main types of data are commonly used by FSPs to help them to understand their markets:

(i) Traditional data such as financial information about customers contained in a credit report or the provider's own records; and

(ii) Alternative data or big data: such as large datasets of utility bill payments, social data or call data records.

The most common market applications of data for financial inclusion are models that provide insights on customers with little or no formal credit history to develop alternative credit histories. Innovations in underwriting and digital lending platforms add value by enabling automated decision-making, which can increase efficiency and reduce acquisition costs.[52]

The potential benefits of leveraging data for financial inclusion extend to every aspect of business operations including ever-narrower segmentation of customers and more precisely tailored products or services including savings products and savings product features to increase uptake.[53] For example, in December 2017 M-Shwari[54] began to segment customers between those who repay their loans on time and have positive savings behavior and those who do not. M-Shwari will offer financial products at cheaper prices to "good" customers and offer a rebate fee for customers who repay on time. It plans to explore whether these offers encourage people to "behave" better in terms of their repayments and savings and whether new customers will join.[55]

Despite promising examples, many FSPs serving low-income clients do not have the capacity and resources to use data in this way. A recent i2i survey confirms this: findings show that most FSPs typically use traditional sources of data, most data analysis is conducted by non-expert staff, and data is currently used mostly for internal monitoring rather than product development.[56] Nevertheless, 73% of FSPs do have plans to start using alternative data sources and some have already started collecting this data.

Similarly, research from GSMA suggests that digital finance service providers in low-income countries lag behind their counterparts in developed economies in the systematic collection and analysis of customer data. For example, only 40% of mobile providers know the urban/rural split of their customer base and only 39% track the gender of customers.

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52 Unlocking the Promise of (Big) Data to Promote Financial Inclusion
53 Big Data – The Next Frontier for Innovation
54 The example outlined on page 14
55 Best practices in big data analytics
56 Do FSPs in Africa use data to drive their decisions?

4. Enabling policy environment

The promotion of savings is strongly influenced by policy and regulation. This section considers trends in regulation to support savings in SSA.

The business case for savings services for low-income segments is influenced by government regulation and financial inclusion policy.[57] For example, regulation can determine whether or not microfinance institutions are able to mobilize savings by obtaining deposit-taking licenses; or whether FSPs can mobilize small balance deposits through tiered KYC requirements.[58]

Regulations prohibiting exclusivity agreements - so that agents can deliver services on behalf of multiple providers - can bring down the cost of deploying an agent network. In East Africa, enabled by relatively light regulation, mobile network operators have become big players in delivering financial services to low-income households.

An example of government policies aimed at improving financial inclusion is the *Umurenge* SACCOs in Rwanda described below.

Role of *Umurenge* SACCOs in Rwanda's financial inclusion success story

When a FinScope survey in 2008 revealed that only 21% of Rwanda's bankable population was accessing formal financial services and 52% were completely financially excluded, the Government of Rwanda took action. In 2008, it adopted a strategy of having at least one community savings and credit cooperative (SACCO) in each administrative unit or *Umurenge* in the local language. Since 2009, 416 SACCOs have been launched. By 2010, the National Bank of Rwanda provisionally licensed all *Umurenge* SACCOs, by allowing them to mobilize share capital and savings (though no loans had been granted by this stage).

At the inception of the *Umurenge* SACCO program, local government played a key role in mobilizing people to join, and a clear communications strategy highlighted the advantages of joining SACCOs and their role in rural financing and poverty alleviation. Initially the SACCOs received substantial support from the government, including subsidies; however, by 2013, subsidies had ended for 304 SACCOs.

At the end of 2013, National Bank of Rwanda published the second SACCO rating, which revealed that 355 SACCOs (85.3%) broke even without taking government subsidies into account.

By the time a second FinScope survey was conducted in 2012, the percentage of Rwandans over the age of 18 using at least one service or product from a financial institution had doubled (42%). This was mainly because they had opened accounts with *Umurenge* SACCOs.

Sources: AFI, Rwanda's Financial Inclusion Success Story Umurenge SACCOs

The Global Financial Inclusion and Consumer Protection Survey, conducted by the World Bank in 2017, provides valuable insights and data to benchmark efforts by financial sector authorities to improve the

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57 MicroLead's Pulling Levers Toward Sustainability.

58 Mexico's Tiered KYC: An Update to Market Response ("simplified" bank accounts can be very powerful for financial inclusion. Accounts that are capped in balance, and have restrictions on the cumulative value of transactions, and/or channels to access funds, can lead to lower risk for money laundering, therefore enable products that are simpler to access. Numerous countries have set rules enabling "simplified accounts" specifically targeting low-income and excluded segments. Some have been more successful than others, particularly those that do not mandate free transactions by providers, that can be opened remotely, and that require forms of ID that are easily accessible.)

enabling environment for financial inclusion and savings.[59] While progress has been uneven, countries in SSA employ a range of policy and regulatory initiatives that can help promote savings for low-income clients.

Some examples are provided in the table below. These examples and their uneven prevalence in the region indicate that continued progress is still needed. In addition, the evidence mapping conducted by Itad[60] shows the need to build the evidence base on what policy and regulations work best to create an enabling environment for provision and uptake of savings products.

Policy and regulatory initiatives to promote savings for low-income clients

▪ **National financial inclusion strategies** are an increasingly common tool to establish national financial inclusion objectives, strengthen reform efforts and improve coordination among stakeholders. More than half of the jurisdictions in SSA report having a national financial inclusion strategy in place and 23% report having one under development. ▪ **Clear regulations exist that distinguish between e-money and deposits** and how providers can use the former to ensure safeguarding of clients' funds; 93% of jurisdictions report that 100% of the customers' funds must be kept in accounts at a regulated financial institution[61] and 86% report that non-bank e-money issuers are prohibited from using customer funds for purposes other than redeeming e-money and fund transfers. ▪ **Regulation that allows the use of agents to facilitate transactions and account opening** to increase the reach beyond bricks-and-mortar branches is widespread in the region. ▪ **Recipients of government transfers are encouraged or mandated to open an account to receive their funds.** ▪ **Deposit-taking institutions are required to offer basic financial products such as a basic account.**	Present in a high proportion of countries
▪ **Simplifications or exemptions to customer due diligence requirements** are only present in 41% of responding jurisdictions. Documentation requirements can serve as a barrier to financial inclusion, particularly for low-income and rural consumer segments. Existence of national ID documents can allow efficient on-boarding of customers without branches, enable transaction mechanisms which do not require signatures, and support the creation of financial histories. For example, bank, mobile and microfinance account-holders in Kenya are identified by national ID numbers.[62] ▪ **Providing exceptions to customer due diligence, tax incentives, or subsidies** to promote opening of branches or outlets in underserved areas could increase the availability of savings services, but these measures are not highly prevalent in the region. ▪ **The payment of interest on mobile money accounts**, which could further encourage low-income clients to save, is currently permitted in very few countries.	Present in under half of the countries

59 The survey covers 124 jurisdictions, representing 141 economies and more than 90% of the world's unbanked adult population. In SSA, it covers 23 countries.
60 Savings Evidence Map, Itad.com
61 Regulations and rules that require financial firms to hold sufficient capital and have adequate risk controls in place.
62 The World Bank Group's Identification for Development (ID4D) initiative.

Ghana and Tanzania provide examples of different approaches related to providing interest to customers on mobile money accounts.[63] ▪ **Customers' ability to check balances and obtain account statements at no cost** could lead to increased account use, but these options are not highly prevalent. Less than 45% of the countries in SSA report to having regulation requiring FSP's to provide account statements for free and upon request. ▪ **A clear definition of 'microsavings' within national financial inclusion strategies**, which can indicate a specific focus on promoting savings, was found in only 35% of the responding jurisdictions.	

63 Interest Payments on Mobile Wallets: Bank of Tanzania's Approach

5. Implications and looking forward

This report provides the most recent and comprehensive account of the state of savings in Sub-Saharan Africa and reinforces the urgency to promote savings more explicitly within the financial inclusion agenda.

This report also highlights the importance of coordinated efforts across key stakeholders; for policymakers to consider enabling regulations, for providers to better understand customer needs and pilot a wider range of solutions, for donors and researchers to expand the scope of research.

Evidence of impact is emerging but big gaps persist. The recent evidence mapping of savings initiatives conducted by Itad[64] shows that available evidence predominantly focuses on client-level impact but is scarce on provider-level impact and reveals very little on ecosystem-level impact.

At the client-level, evidence on impact is clustered mostly on changes in access and use of individual savings and savings groups. Changes in income, improved resilience and food security, and empowerment are also documented. The least amount of evidence is on client business outcomes and the link between savings and entrepreneurship.

Evidence at the provider level is considerably scarcer. Significant evidence gaps exist in the areas of sustainability and replicability, institutional capacity, and partnership models. These gaps highlight the need for more research on what approaches work best for providers to deliver and maintain savings products sustainably.

Reliable evidence documenting what works best in supportive regulation to promote savings for low-income people is also scarce in the region. Because government regulation and financial inclusion policy are a key factor in the strength and diversity of the savings sector, there is a clear need to build the evidence base in this area.

Looking Forward

The table below provides a brief synthesis of areas in which solid advances exist, areas in which promising work in progress is taking place, and areas where much work remains. These trends should be monitored and will be updated in a follow-up report, due to be published in 2020.

This report is a starting point and the Savings Learning Lab will look for opportunities to support further evidence and learning in some of these areas considered.

Coming up: Later in 2018, the World Savings Bank Institute (WSBI) will release a report on the State of the Sector in the retail banking sector that will add additional insights, particularly on the supply-side constraints and opportunities mentioned in the report.

64 Savings Evidence Map, Itad.com

	SOLID ADVANCES	WORK IS IN PROGRESS	SIGNIFICANT PROGRESS REQUIRED
CLIENTS	**Strong evidence** of impact of savings in key areas such as income, consumption, resilience and food security. **Understanding** of savings behaviors, needs and preferences; how poor people manage their money and what savings mechanisms work best for them. **Demonstrated** latent demand for savings and recognition of persistent gaps between demand and supply overall and especially for women, youth and the poorest.	**Understanding** of intra-household and inter-household dynamics, as well as personal biases and how these affect savings behavior. **Building** the evidence base in areas such as the impact of savings on asset accumulation, business and entrepreneurship.	**Build** the evidence base on the impact of promotion of savings on health and nutrition, education and other social outcomes. **Address** concerns related to the digital divide and consumer protection in the context of digital financial services and use of customer data. **Close** the gap in account ownership for women, youth and the poorest.
INSTITUTIONS	**Investments** in infrastructure such as internal system upgrades and points of sale along with uptake of technological innovations enabled FSPs to extend services to low-income clients and reduce their costs. **Innovative** partnerships between banks, savings groups, fintechs and mobile network operators on channels and products. **New** providers such as non-bank e-money issuers as critical drivers of digital financial services.	**Developing** the business case for serving low-income clients with the recognition that products and services need to meet the needs of this segment while being affordable and convenient. **The use** of human-centered design and behavioral insights for product development.	**Build** the evidence base on provider-level outcomes related to the effectiveness of business models, institutional capacity and governance, and partnership models. **Increase** investments and innovations in reaching women, youth and rural customers. **The use** of traditional and alternative data for product development and improved operations.
ECOSYSTEM	**Widespread adoption** of national financial inclusion strategies, regulation of e-money funds, and widespread regulation allowing the use of agents to facilitate account opening. **Global data** sources provide increasingly reliable demand and supply statistics on the progress of financial inclusion.	**Regulations** supporting simplified customer due diligence requirements, such as tiered KYC and enforcement of customers' ability to receive account information at no cost. **Financial** inclusion measurements placing a focus on use and benefits to customers and how financial services help customers reach their life.	**National** financial inclusion strategies to include commitments that are specific and tailored to the promotion of savings. **Build** the evidence base on how policy and regulation can support the promise of digital finance in closing the access and use gap. **Build** the evidence base on supporting functions, market coordination and informal rules and norms.

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