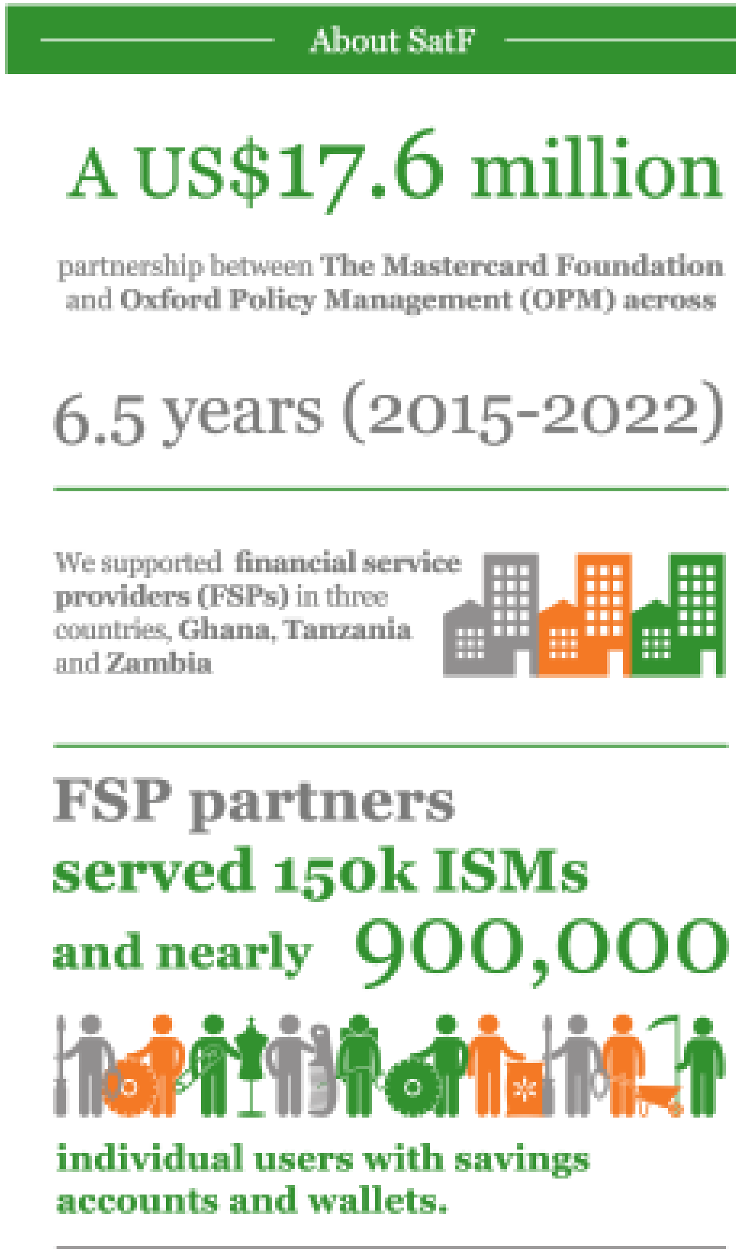


# Scaling Financial Inclusion through Partnerships

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**Savings at the Frontier**

A partnership between Mastercard Foundation and Oxford Policy Management

# 6+ years of learning around the business case for linking informal savings and formal finance


- This was not a project just aimed at VSLAs
- It was a learning project aimed at finding business cases for formal finance to work with a range of informal savings mechanisms

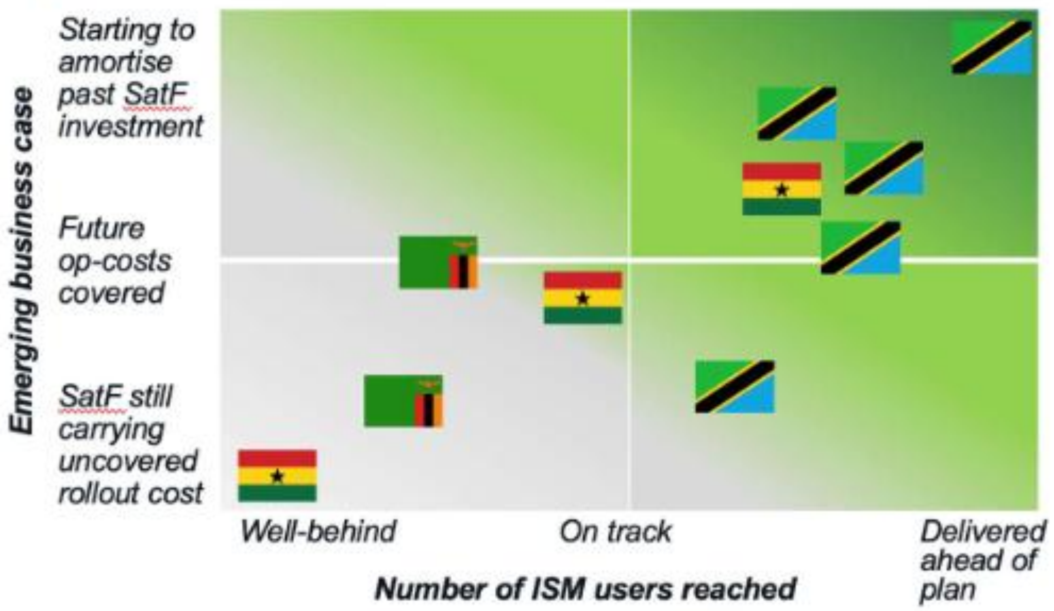
➢ Please follow this link to the interactive timeline to get a fuller view of all our activities … and this link to the SatF webpage to see our outputs

# Some real successes, especially with fintechs but also with more traditional banks but not MFIs

**Three countries and ten partners**

**Figure 1: SatF partner FSPs**


**Figure 2: Portfolio overview**

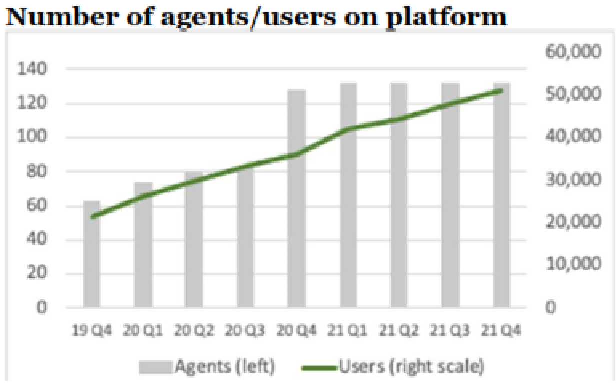


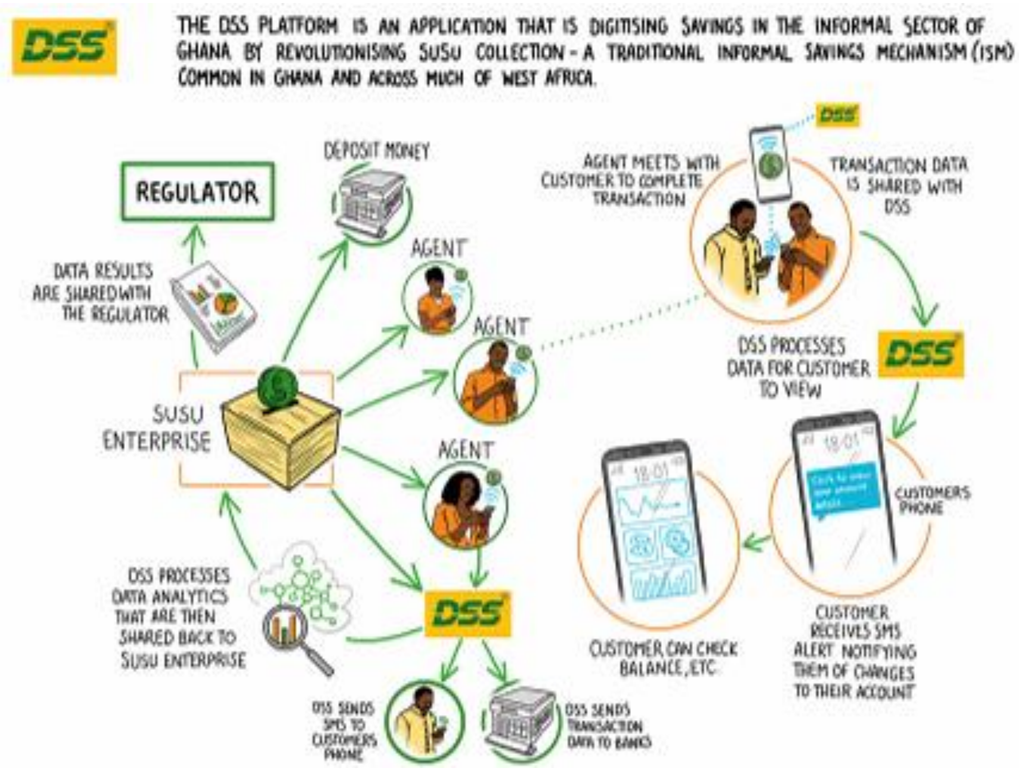

- Three banks (all TZ) plus two fintechs (TZ+GH) made the top-right quadrant
- A Ghanaian fintech and a Zambian MFI established a business case but not at our target volume

Follow this link to see our business case analytics

# Case study 1 – a Ghanian fintech partners called DSS Platform and perhaps our most client centric partner

- This was an example of SatF going very experimental with a fintech start-up deeply rooted in the urban informal savings market it served and very close to its customers (both the saving collectors it digitized and the wider customer base whose savings were being collected).
- We started with a small funding allocation split into small, high frequency tranches ($50k every 2~3 months) with each tranche having its own specific performance milestones.
- The budget was accelerated and increased once good early performance was demonstrated. Overall, DSS' performance was so good (clients served more than doubled and with support from us it sailed through COVID) that we increased the main award and gave it a super-tranche to let them experiment with rural VSLA support

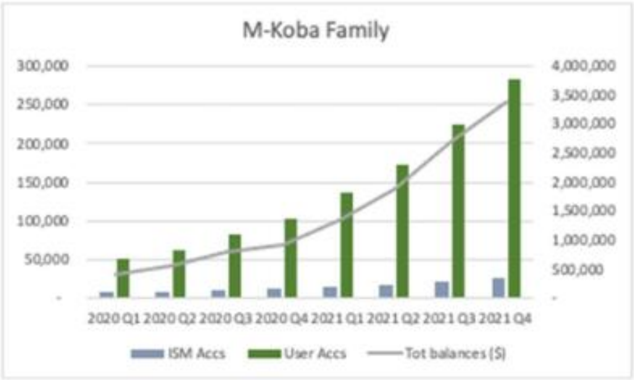


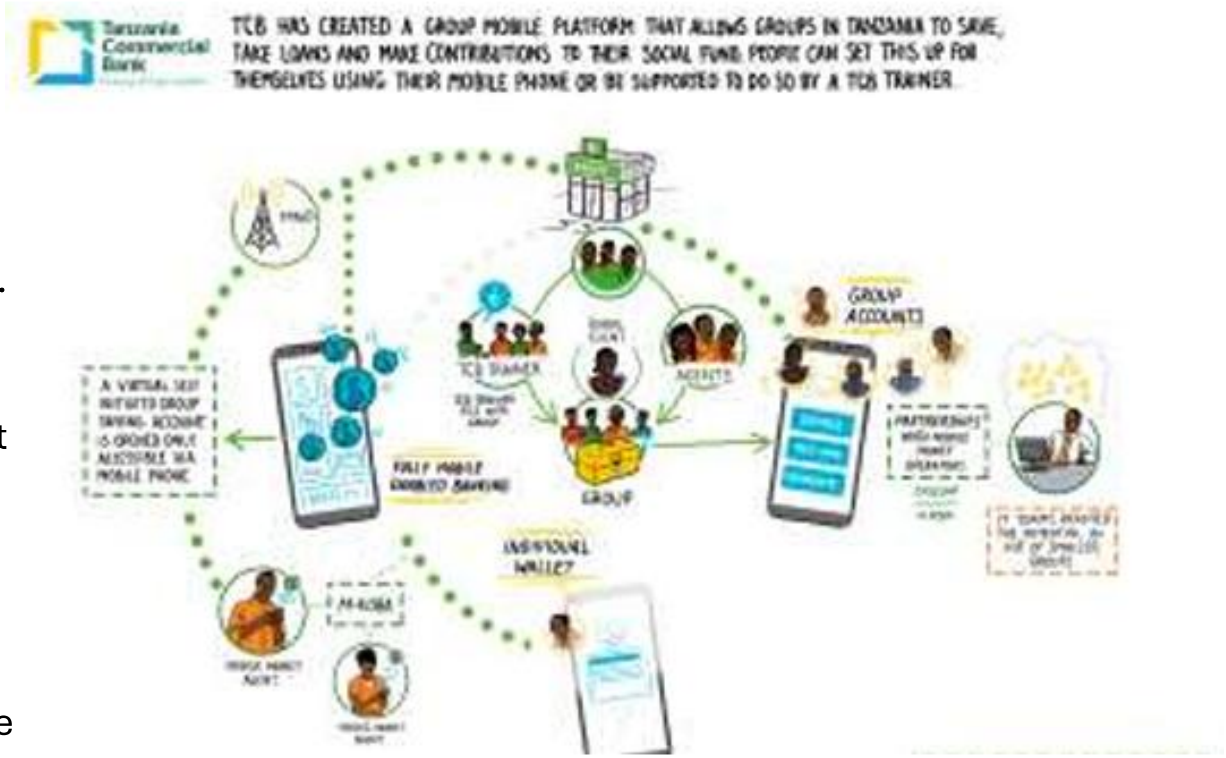

- DSS Platform has since taken a sub-set of the DSS collectors that were working as a collective and now operate as a virtual MFI so that it can lend as well collect savings

# Case study 2: a Tanzanian bank partner – TCB – where the clients almost designed the product by use

- Tanzania Commercial Bank had a long track record in group linkage (in its earlier postal banking format, TPB Bank). Initially both SatF and TCB thought a branch-based scaling of the traditional bank- VSLA linkage model but using ex-NGO facilitators as ambassadors would work, but this did not work out as rural phone use was changing (buying bundles with limited credit to cover USSD charges).
- Separately SatF had been talking with a MoMo provider but there were too many competing corporate priorities for them to rollout a MoMo-led linkage model. TCB put itself at the back-end of the MoMo offer so group savers could get fee-free access in return for the bank sharing the risk-free margin on the sum mobilized.



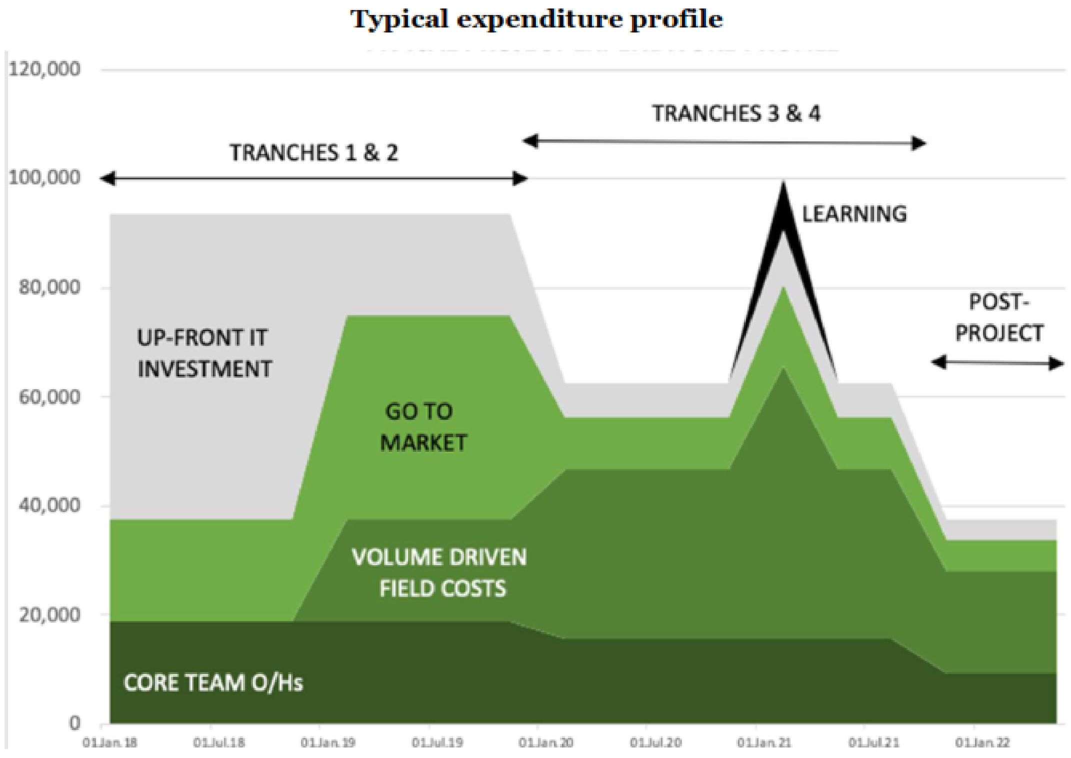

- The product was designed around VSLA needs, but the big take-off was in family saving for shared challenges (big social events, emergencies, etc.)




- By the end of 2021, as SatF's support started to wind down, over 30,000 M-Koba groups had used the system and over 350,000 people had been able to save. That has since grown to 400,000 groups and $375 mn has been saved.

# Adaptive budgeting created space to fail and come back with a stronger response to client needs

- Banks, fintechs and MFIs are interested in this market, but they have their own very focused commercial objectives – it was important to us not to keep funding linkage models that were not working.
- Our main tool for this was an adaptive approach to the release of tranches of funding, where the focus moved from (1) experimental prototyping of the proposed solution to (2) piloting a refined solution to (3) scaling only what worked and (4) building on and extending early success.
- We were willing to accept failure of the originally proposed solution as long as the partner learned from that failure and was willing to redefine the offer. Where that did not work, we scaled back tranches 3/4 of the funding and redirected the saved money to projects that were working better.
- This let us offer 'super-tranches' to a selected number of partners who had clearly broken into our top-right quadrant of delivering promised scale and beginning to move beyond cost covering to start amortizing past investment. We did this with six partners (three scaled back and three super-tranched). It was not a comfortable process, but it worked.




- We even used a super-tranche to allow a consortium member to break free of a partnership that was not working, and it has since turned into a major Tanzanian AgTech player attracting both government and further donor support.

# Headline Conclusions

- Being too invested in a 'given' model (on both sides formal + informal) holds back success; neither side can afford to be too dogmatic about their own truths around informal savers (more sophisticated than NGOs come across as thinking and less naïve than formal providers seem to think).
- Context really matters – not all informal savings mechanisms are the same (we had three types ranging from regular group saving, susu collectors and affinity groups).
- Don't be afraid of not getting it right the first time around – you are asking the customer to mix things that they have previously kept separate so let them have a say in the design.
- Formal providers probably need to find this out by doing – experimentation reinforced by research seemed to work better than trying to research one's way to a particular solution.
- Group members did not seem particularly interested in group digitization for the sake of it and are skeptical of the float being 'taken away' for safekeeping, unless the formal provider is doing something else for them that they cannot do for themselves (larger/longer credits, payments access).
- Banks do not always get it right, <u>but they can</u>, whereas MFIs, in our experience, struggled to find a sweet spot between their long-held modes of delivery and new models needed for commercially sustainable linkage.
- Most of all, hunt for the triple-win – it can be found:
    - Formal providers <u>need</u> a commercially sustainable business case
    - ISM Users need tangible benefits - not just security and the scope to save more but positive livelihood outcomes
    - Informal providers need to preserve/enhance the social capital of ISMs