

Savings:

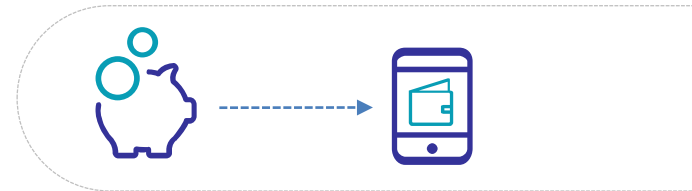
Key To Any Agenda on Financial Inclusion

Graham Wright, Founder and Group Managing Director, MicroSave

Savings and Credit Forum, Thursday September 28th 2017, SDC Berne

Agenda:

1. Why Do Poor People Save?
2. How Do Poor People Save?
3. What Are The Determinants of Poor People Saving?
4. Is Mobile Money “The Answer”?
5. So What Should We Do?



Why Do Poor People Save?



Three Needs That Drive Financial Activity of Poor



1

Managing basics

To transform irregular income flows into a dependable resource to meet daily needs.

2

Coping with risk

Dealing with emergencies

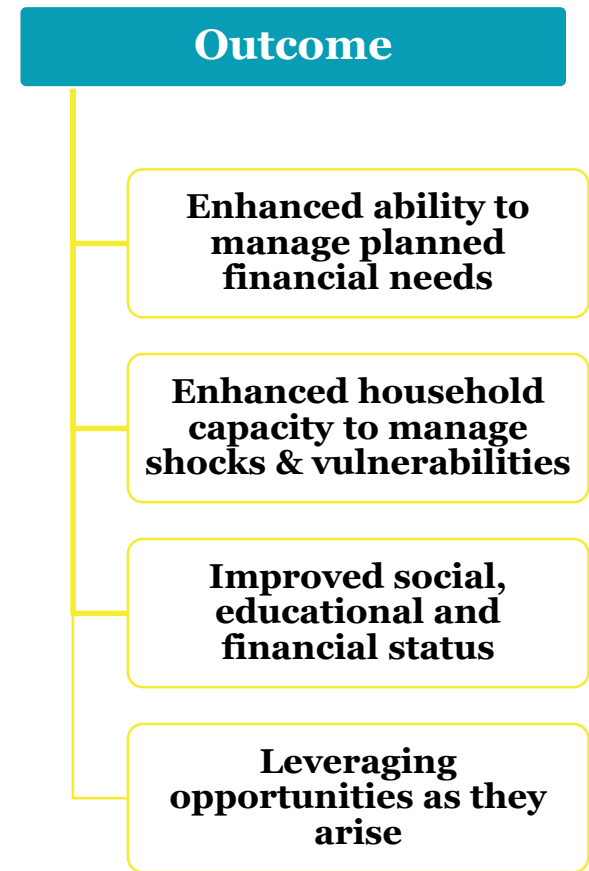
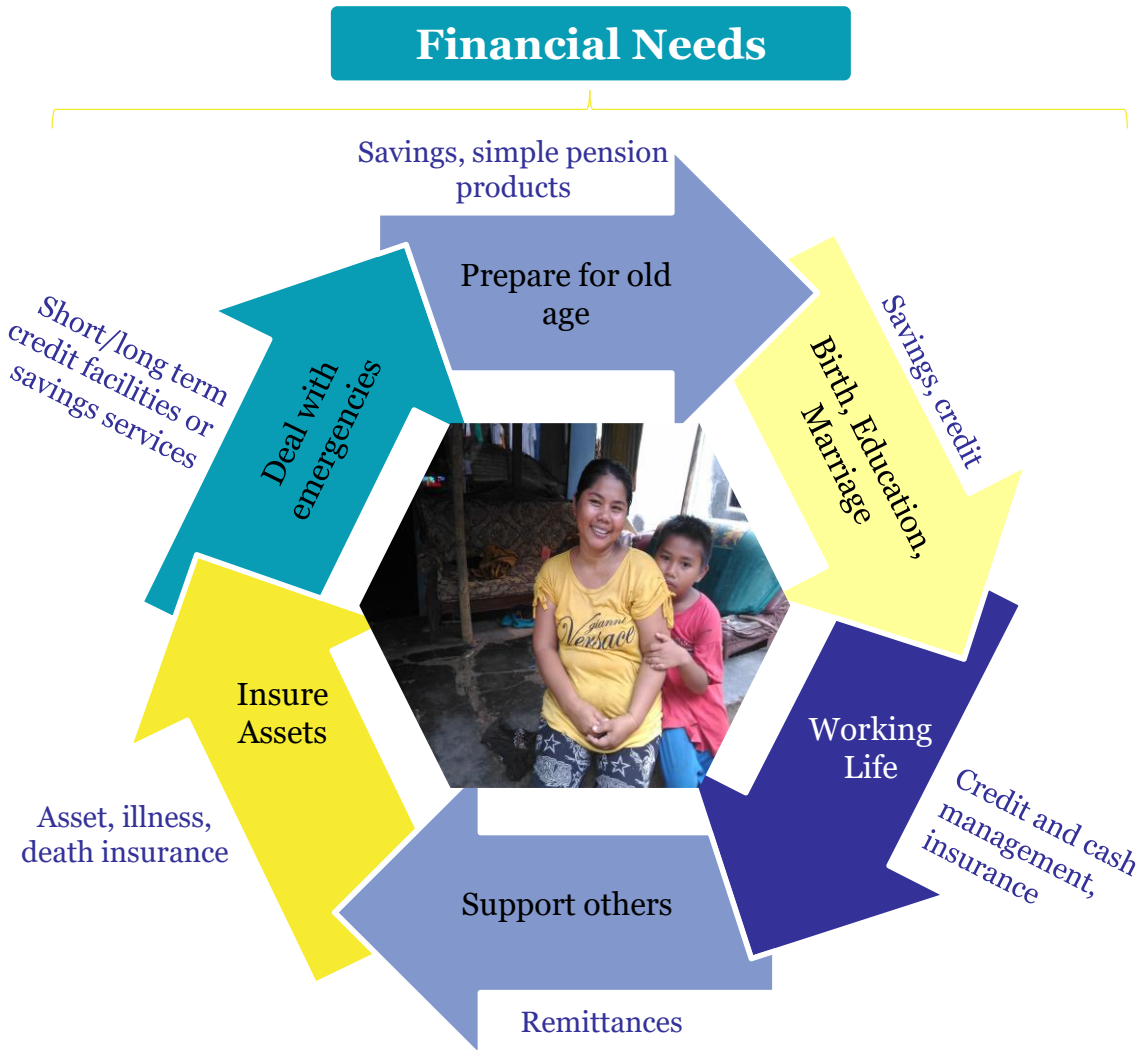
3

Raising lump sums

Seizing opportunities and paying for big-ticket expenses by accumulating usefully large sums of money.

The Mass Market Has Real Needs

Only one-quarter of households have any form of savings with formal banking institutions.



How Do Poor People Save?

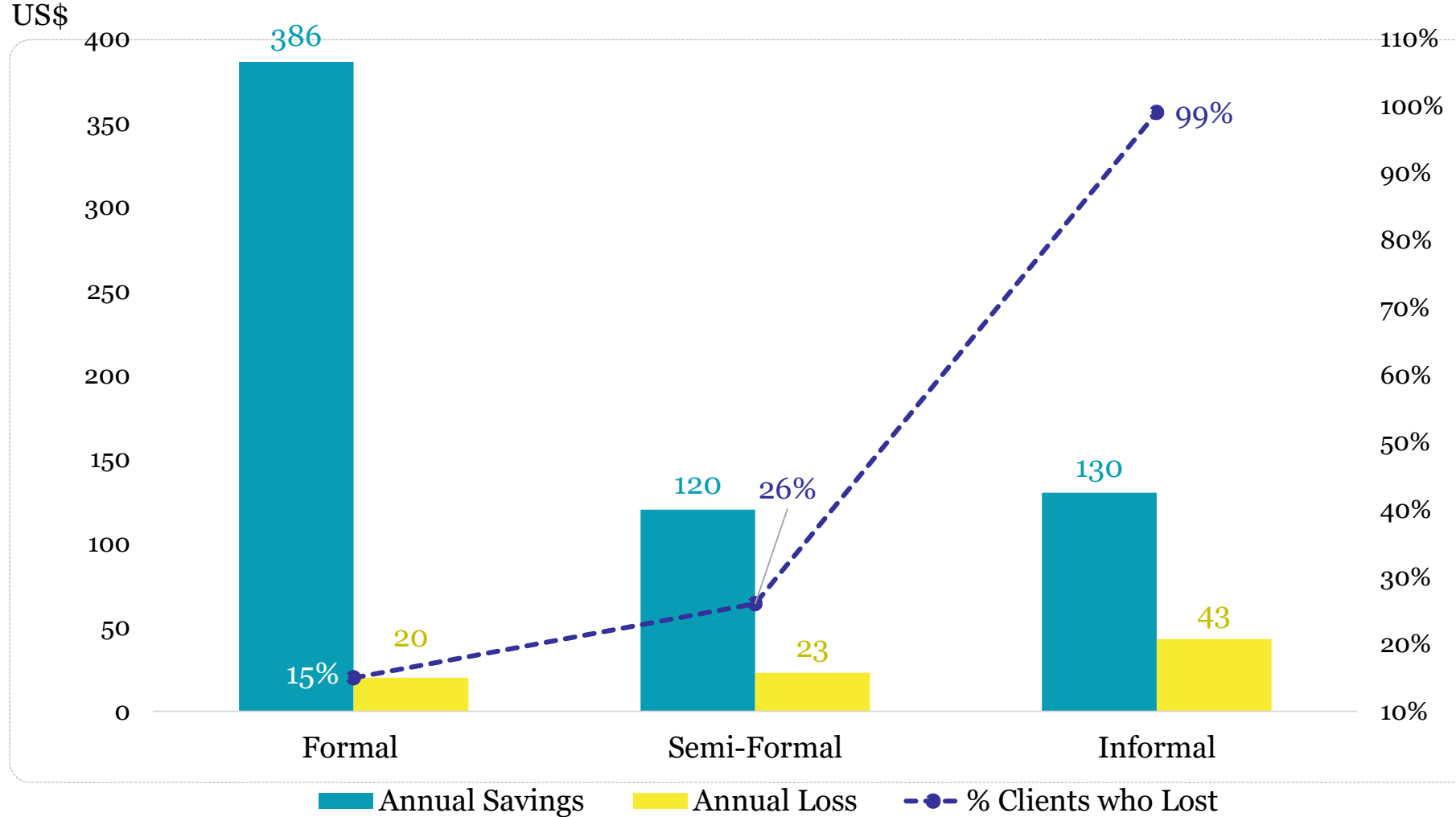


The Poor Use a Variety of Financial Tools

Financial Tools	How Does the Tool Work?	Key Findings
ROSCAs	Pool is distributed every four months. Melodia uses the fund to pay school fees.	<ul style="list-style-type: none"> • A wide variety of savings and even loan instruments used for savings. • Each financial tool is linked to a specific need – and has specific sources of income too. • Mostly informal in nature. • Mostly subject to the risk of loss.
“Christmas Club” ASCA	Members can borrow from the pool to meet emergencies. Melodia borrowed when Pon was ill. Pool gets liquidated a week before Christmas every year.	
Loans to Neighbours	Reciprocal lending – to save by lending to set up obligations for the neighbours to repay/lend in crisis.	
At Home	Hidden by Melodia in a bamboo pole. Kept secret from Pon for emergencies.	
Money Guard	Regular deposits with a trusted friend. Used for brother’s wedding.	
Advance payments	Advance payment to the caterer for the wedding of Pon’s brother – to keep money out of the house.	

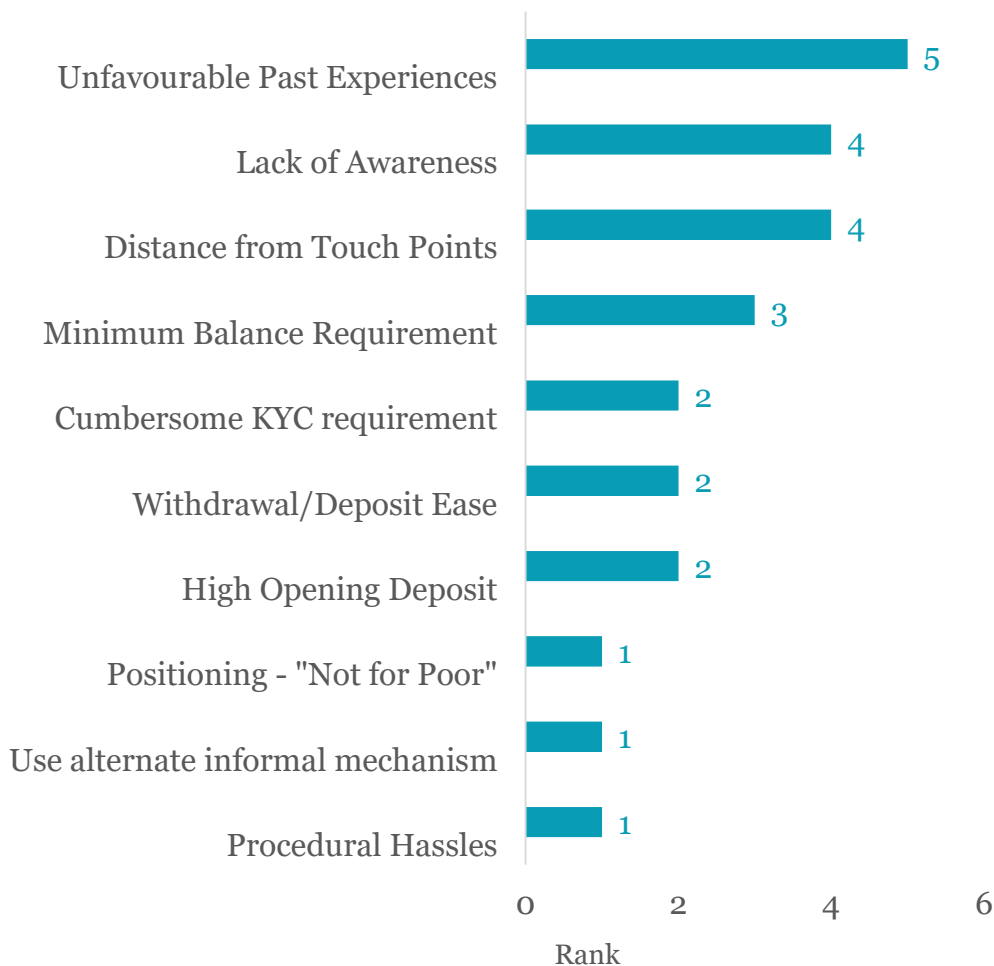


But Informal Savings Are Risky ...



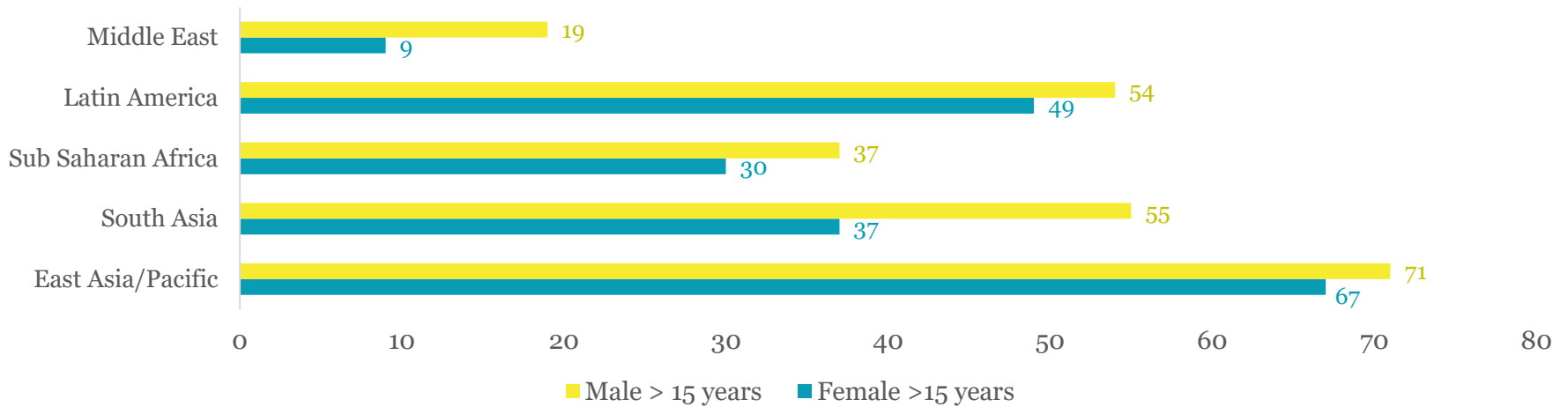
So Why Save in the Informal Sector?

Why Don't The Poor Use Formal Channels?



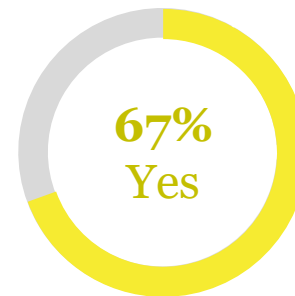
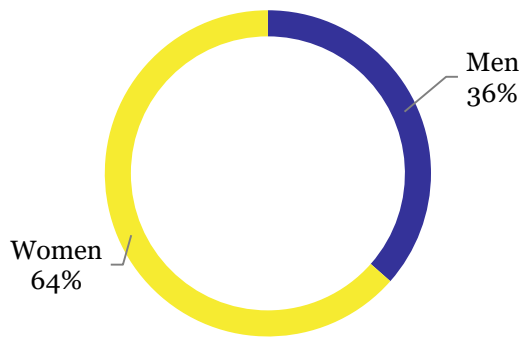
Women Are More Likely to be Excluded

% Account Ownership (Findex 2014)

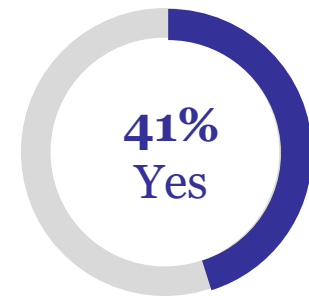


Globally: 781 Million Illiterate People
(Source World's Women Report 2015)

Do you face any problem while dealing with numbers and calculations?
(Source: *MicroSave*/MOVE fieldwork)



Female (N=49)



Male (N=39)

Women struggle more due to:

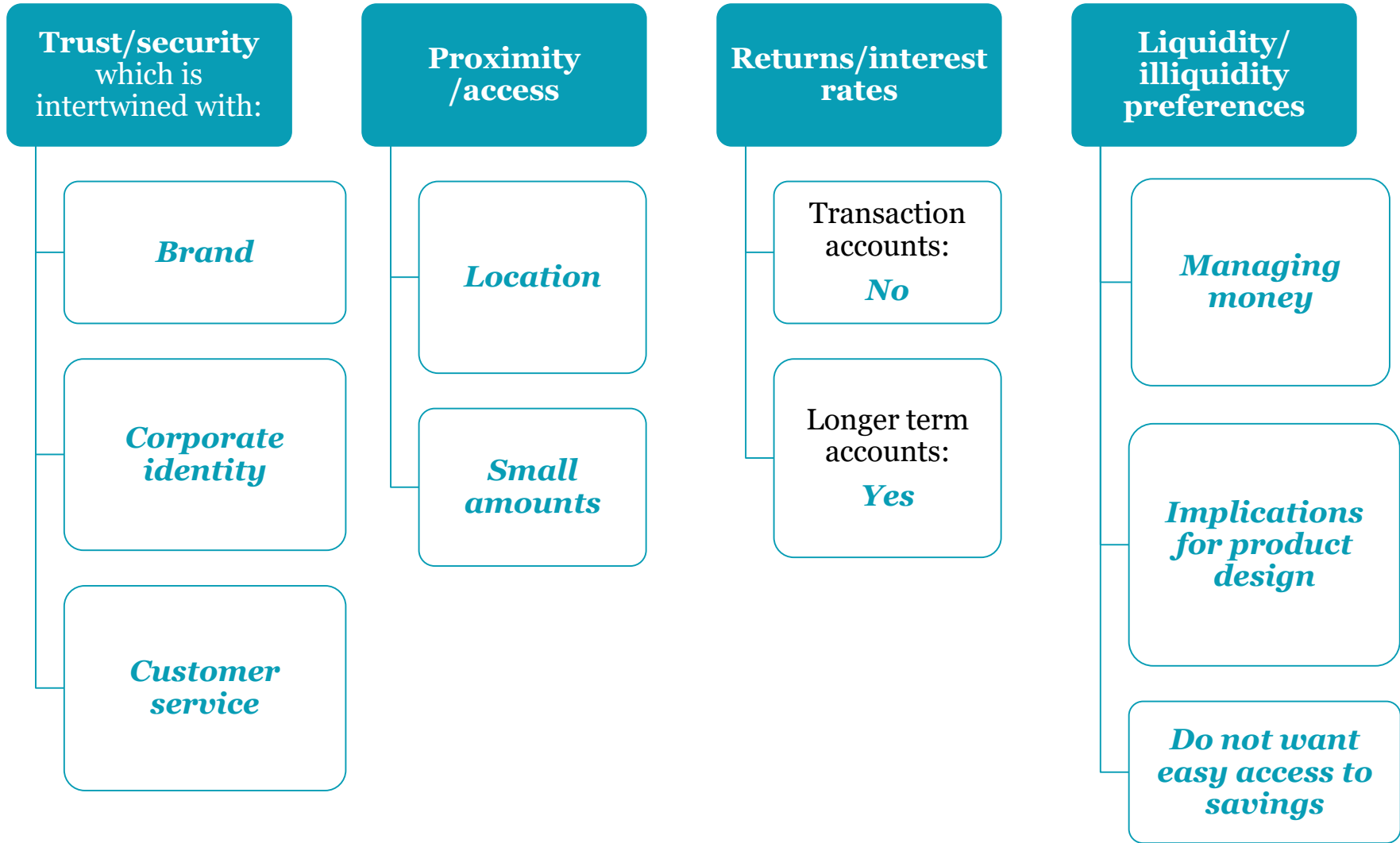
- lower literacy
- less interaction with money

But it is probably twice this...

So What Are The Determinants of Poor People Saving?



Traditional Approach: Poor People Save Based on Four Variables



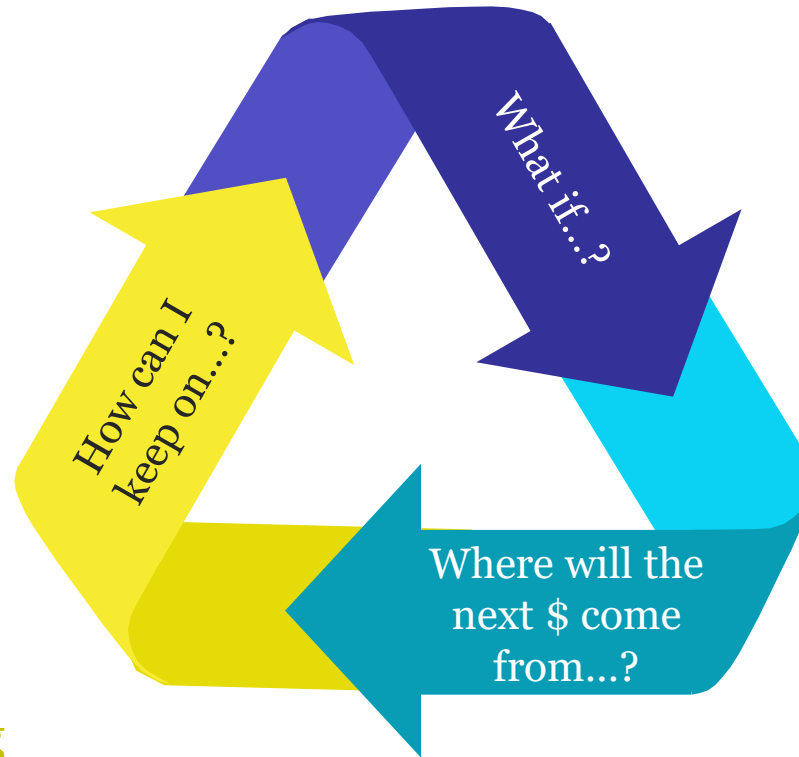
Need to Understand and Respond to Mental Models

(Developed with Ignacio Mas)



Animating Money

Bottling liquidity



Income Shaping

Scheduling liquidity



Liquidity Farming

Liquidity on-demand

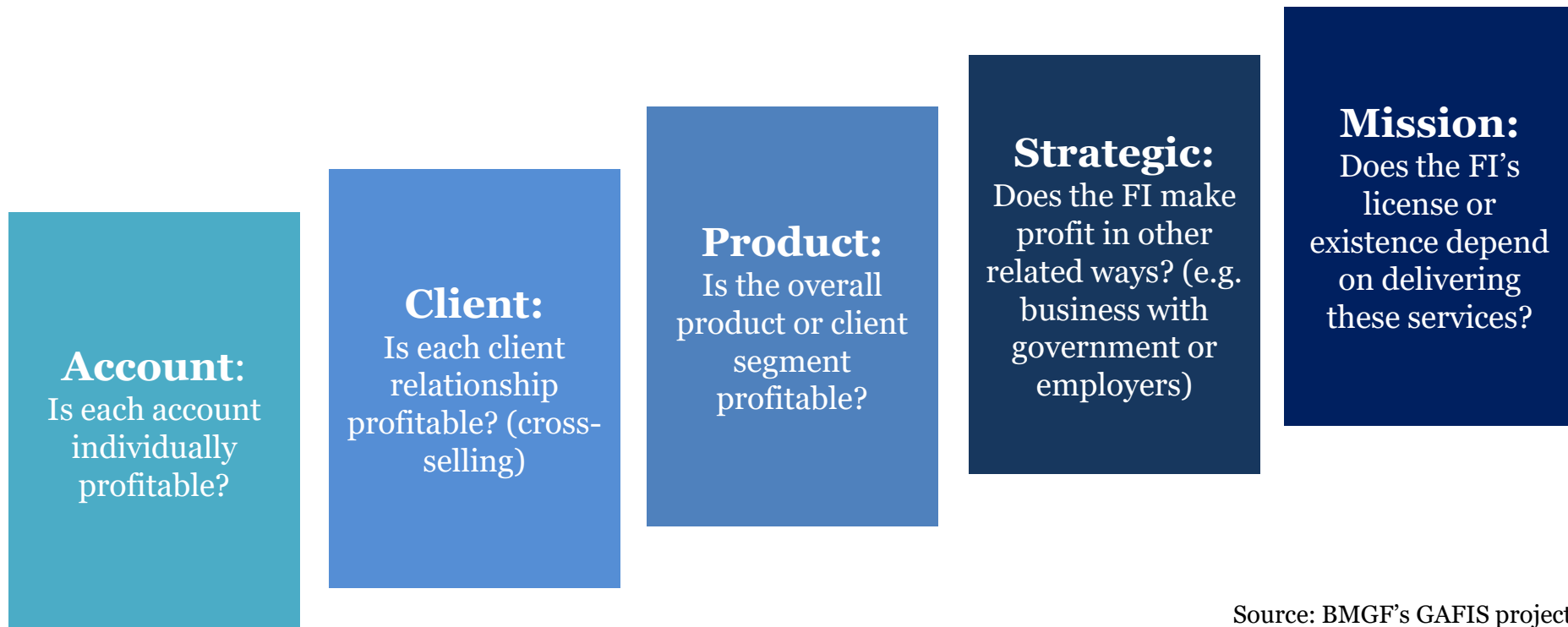
Is Mobile Money “The Answer”?



The Economics of Small Deposit Mobilisation

- A savings account with balance of US\$50, the financial institution incurs operating costs amounting to US\$100–150 per year.
- But this ignores:
 - Marginal costing;
 - Opportunities for cross-selling;
 - Structuring interest rates/fees to drive behaviour;
 - Technology.

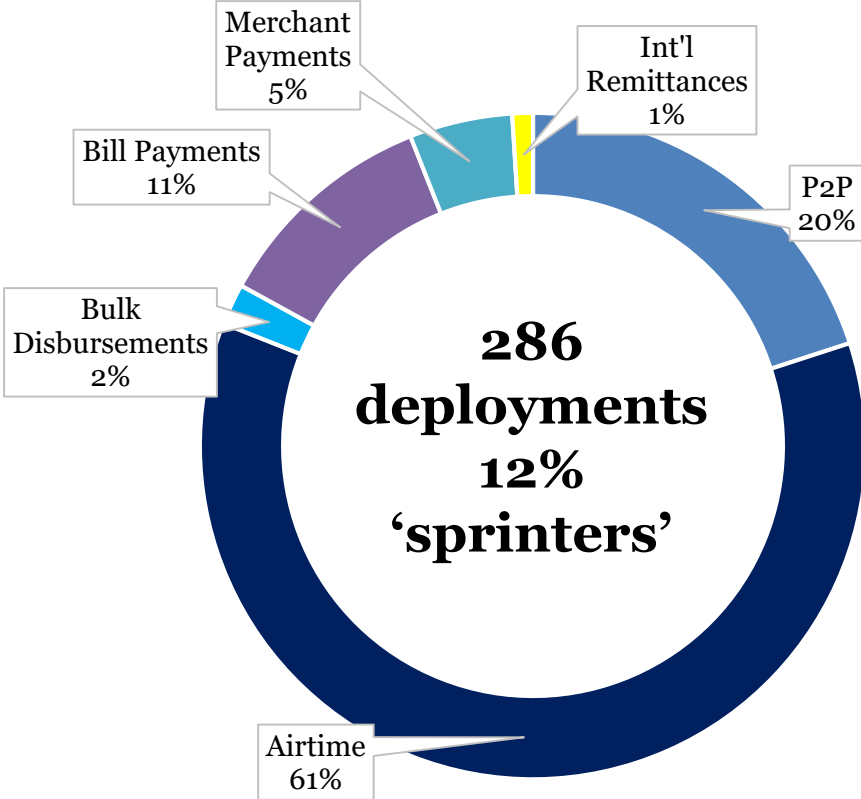
Source: CGAP Focus Note: Business Case for Small Savings



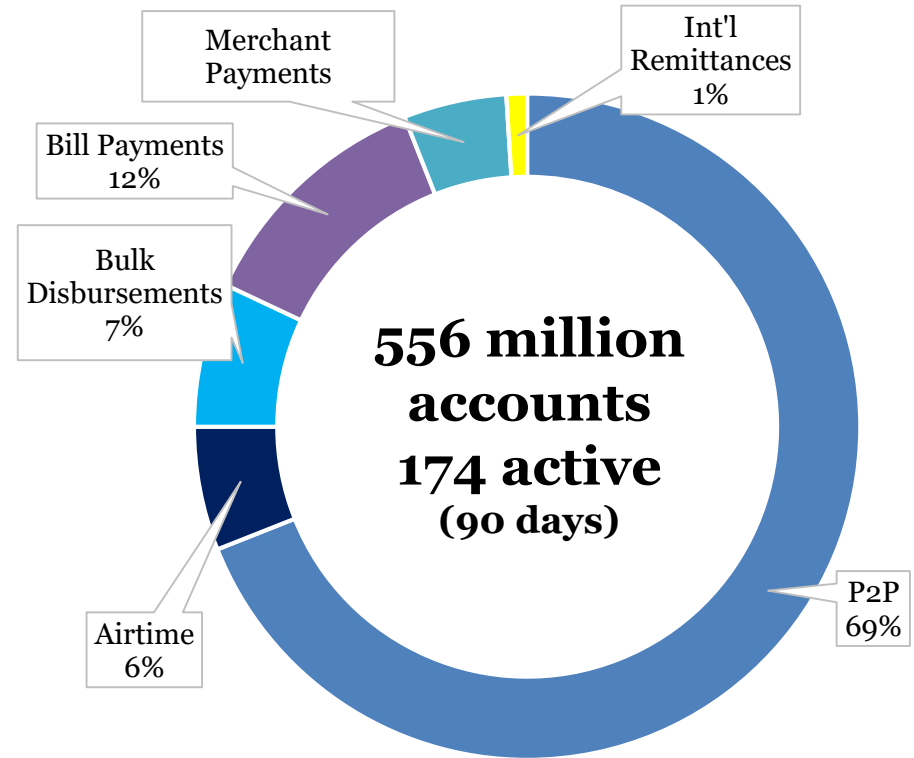
Source: BMGF's GAFIS project

We Are Stuck In A Payments Trap!

% of Total Volume of Transactions
(GSMA's SoTIR 2016)



% of Total Value of Transactions
(GSMA's SoTIR 2016)



“Telecoms operators said transactions to bookmakers have added impetus to mobile money’s steady rise since it was first launched in Kenya nine years ago.” – *Business Daily* August 31, 2016

No Real Savings Services Are Available (or Used)

The Numbers Tell It All

Deployments

271

Active Accounts (millions)

134

32 (million) Dedicated Savings Accounts – 69% active

Value of Savings (millions)

223

Average active savings
account balance:

\$16.18

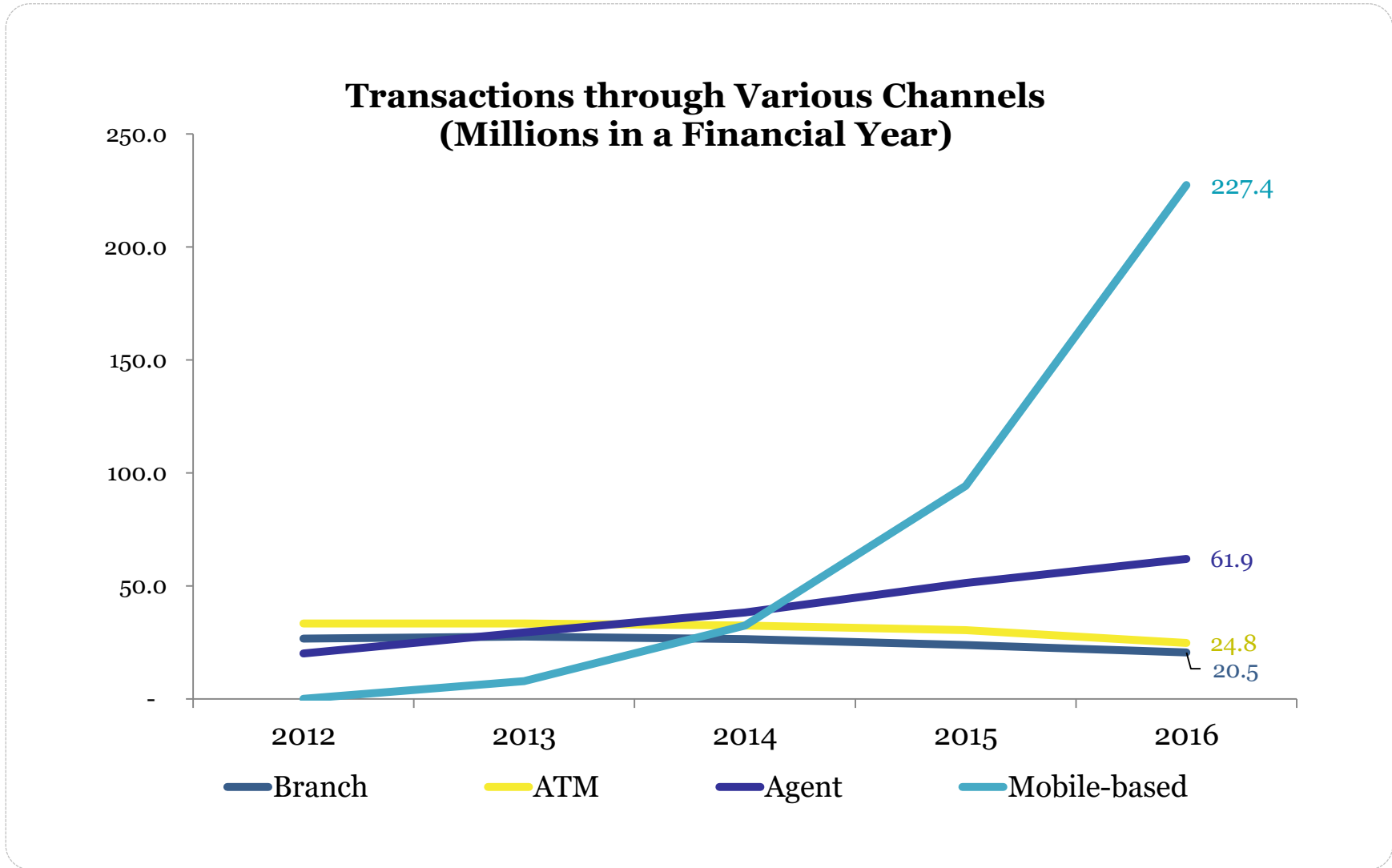
Median amount held in

wallets: **\$4.70**

The vast majority of transactions are cash-to-cash/airtime

Source: GSMA. (2016). 2015 Mobile Insurance, Savings & Credit Report.

Equity Bank – Demonstrating the Potential



Source: Equity Bank, Investor Briefings



**So What Should
We Do?**

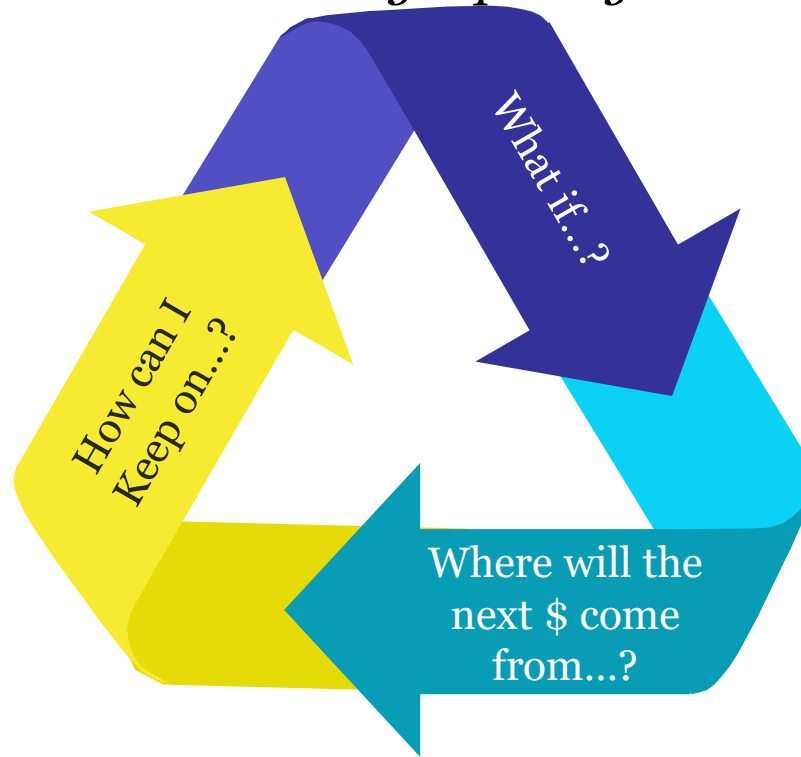
Need to Understand and Respond to Mental Models

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Animating money

Bottling liquidity



Income shaping

Scheduling liquidity



Liquidity farming

Liquidity on demand

Smartphones Give Us Opportunities – 1

Gaming

Sending money to dates,
days of the week, events

Sending money to
colours, cars, animals,
musical bands, photos

Virtual ROSCA
Chama, Harambee

Moneyguard P2P with
restricted uses of
money

Being able to direct
savings to a friend

Tasking and Calendaring

“Pay yourself a
salary”

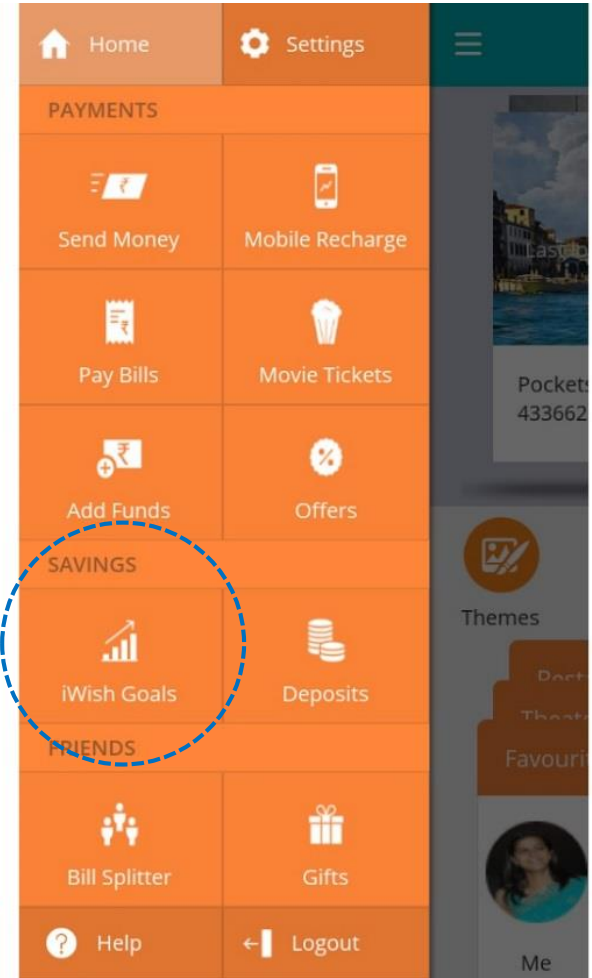
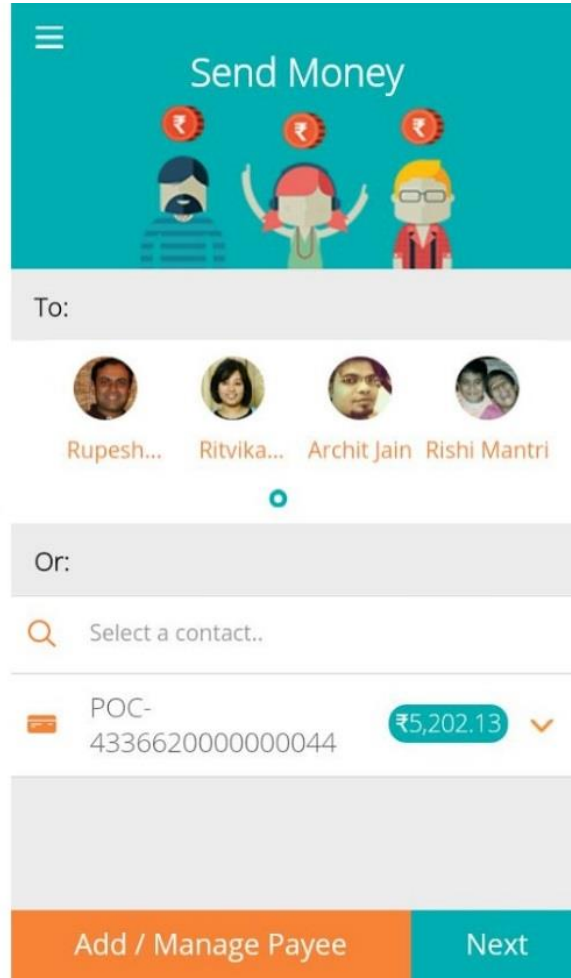
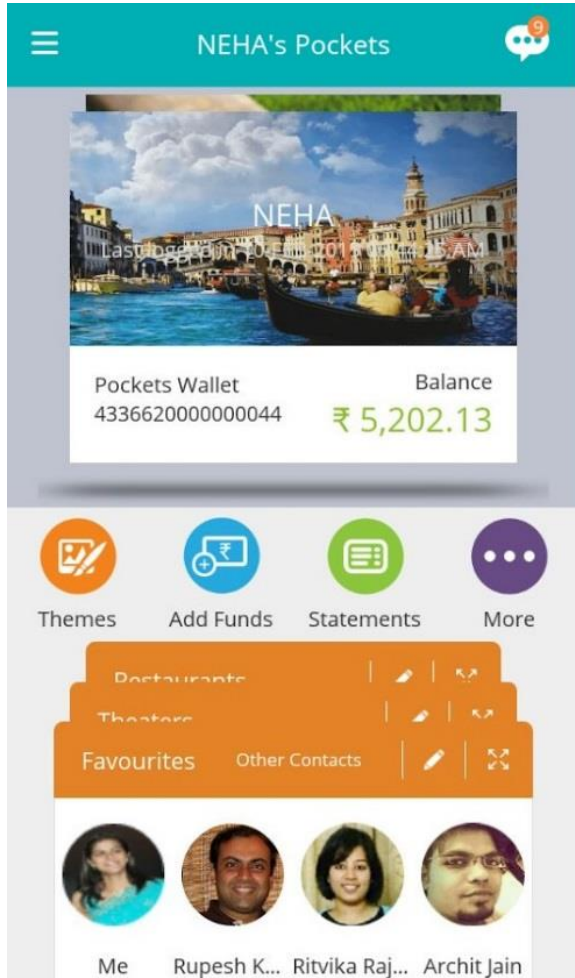
Platform to track
(and underwrite)
store credit

Social Networking

[Making Digital Financial Services Relevant – Part 3](#)

Smartphones Give Us Opportunities – 2

Smartphones or tablets can make interfaces much more intuitive – reflecting poor people's mental models for money management.



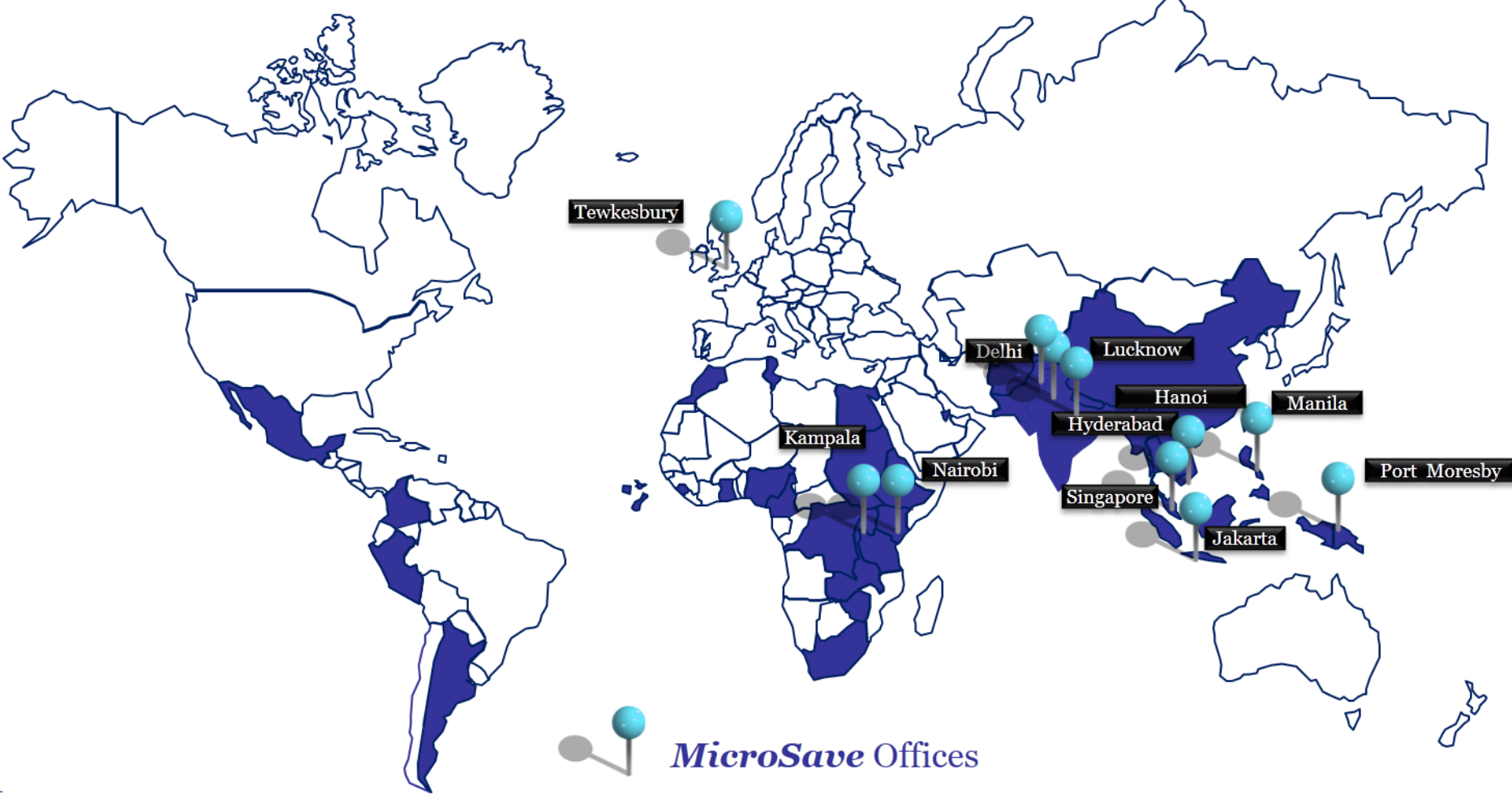
MicroSave: 19 Years of Contributions To Financial Inclusion

MicroSave partners with participants in financial services ecosystems to achieve sustainable performance improvements and unlock enduring value.

We are an international financial inclusion consulting firm with **19** years of experience; **190** staff spread across **11** offices running projects in **40+** developing countries.

MicroSave's expertise has evolved from working with over **300+** government and private sector institutions in Africa & Asia-Pacific.

- Delivered more than **200** projects to design and implement digital financial services.
- Supported **50** agent network managers.
- Trained **~6,500** practitioners.
- Advised **20** government ministries/regulators.
- Developed over **45** toolkits on different elements of building effective financial services for low-income clientele.
- Worked with over **250** banks, MNOs, and MFIs to assist them in becoming market-led and to improve operational efficiency.
- Helped develop over **250** financial products used by **>50 million** clients.



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