Encouraging effective & inclusive savings

Lessons and Best Practices from the European Microfinance Award 2020

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FOREWORD

2020 has been a unique year. Within the financial inclusion sector, it has been challenging for all stakeholders – MFIs, investors, regulators, TA providers and networks like e-MFP. But of course, *our* challenges are nothing compared to those currently faced by the millions of financially excluded clients the sector exists to help. With businesses shuttered, economies shuddering and a lethal virus showing no signs of going away any time soon, their households and businesses are under incredible pressures.

It was only a few months ago that the last European Microfinance Award publication came out. In *Adapting to a New Normal*, we saw how climate change poses critical threats to vulnerable clients' lives and livelihoods, and the ways that different interventions from the financial inclusion sector to strengthen client resilience can mitigate these effects. Many of the financial products that do so are credit-based. And credit plays an important role in making the investments for resilience and adaptation possible. But planning for the future – to protect against shocks, to accumulate usefully large sums, to build equity, to smooth consumption and to make long-term plans – cannot (or at least *should* not) be reliant on borrowing. It needs the encouragement of effective and inclusive savings. Savings, to put it another way, are the firewall against uncertainty.

This European Microfinance Award 2020 on 'Encouraging Effective & Inclusive Savings' has generated an astonishing wealth of information and insight. Despite the enormous challenges that financial services providers are facing right now, a record number of them from all over the world took part in this year's Award process. Why? Because in the face of extreme pressures on households and business, saving has never mattered more than it does today.

We at e-MFP are therefore extremely proud to present this paper which not only captures *why* savings matter so much to vulnerable populations, but also profiles the ten Award semi-finalists and *how* their diverse and fascinating initiatives actually encourage effective and inclusive savings – and the factors for their success.

I would like to thank Micol Guarneri and Chiara Pescatori, the two consultants who so professionally assisted the e-MFP Award team over the evaluation and selection processes. Thanks also must go to our colleagues at InFiNe.lu, Luxembourg's Directorate for Development Cooperation and Humanitarian Affairs within the Ministry of Foreign and European Affairs, and all the members of the Selection Committee and the High Jury who gave their time and expertise to take part in a rigorous evaluation process.

I would like to thank Sam and the rest of the e-MFP team involved in both the Award process and the writing, editing and production of this paper. And finally, we would all like to thank the 70 organisations who took part in this Award, and especially to congratulate the ten semi-finalists and among them the three finalists profiled in these pages. We wish you all – and especially your clients – the very best in the weeks and months ahead.

Christoph Pausch,
e-MFP Executive Secretary

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"NEITHER A BORROWER NOR A LENDER BE…"

William Shakespeare

Polonius' cautionary line from Hamlet might be a surprising section title for a paper on microfinance – a sector long since built on the sturdy and profitable foundations of credit. But Polonius' advice to Laertes is a message that resonates today more than ever: credit has its value of course, but with risks and costs as well. Within the financial inclusion world, the time for saving as a real alternative to just borrowing – saving to invest and to protect; to prepare and to plan – has perhaps finally come. After all, entreaties to self-reliance and preparedness, like the Jamaican proverb "*Save money - and money will save you*", are not new: they're in countless languages, advocating prudence, planning and thrift when managing one's finances. *Saving*, so the message goes, *can save you*. But this is about more than just *financial* prudence. Benjamin Franklin said as much: "By failing to prepare, you are preparing to fail." It is probably one of life's few genuinely universal tenets.

It's also intuitive. We all have a basic understanding of what savings – or the *act* of saving; saving as a *verb* – are. You hold back some of what you earn, sacrificing immediate pleasures or opportunities for some future benefit. This benefit can vary from coping with the unknown and unplanned shocks that can throw one's life into disarray, to more highly planned savings for high-cost but predictable future expenses - weddings, pregnancy, a deposit for a house, or retirement.

For much of the past forty years, the microfinance sector has focused overwhelmingly on credit, which is easier to offer and more profitable for the provider. More often than not, that results in credit being provided as the default financial product when other options – savings or insurance in particular – are both better suited to the particular needs of the client – and come at both lower cost and lower risk. And even though for microfinance institutions (MFIs), total deposits are comparable to loans outstanding, the reality is of a sector with millions of dormant accounts among lower-income clients, with most deposits drawn from higher-income individuals. While this provides MFIs with flexible, local-currency funding that's cheaper than foreign debt, it does not serve the poor or the excluded. The provision of savings as a service to this population is still consigned to a much smaller segment of markets and institutions, and remains a rarity in the global financial inclusion ecosystem overall.

Why Saving Matters to Clients

There is a growing literature on the benefits of effective and inclusive savings to clients, providers and

A Brief History of Savings Models for the Poor

The long history of savings makes up a diverse landscape of practices and providers. Among the oldest are the mix of savings and postal banks as well as savings and credit cooperatives scattered around many markets, most of which trace their roots back to 19th Century Europe and were replicated during the colonial era.[1] In part due to that complicated history, this variety of institutions comes with mixed levels of outreach and effectiveness, ranging from stodgy organisations serving mainly government needs, to those that actively serve rural and poor households, while continuing to innovate and adapt.

Among traditional MFIs, savings has had a complex history. In countries like Indonesia and Bangladesh, savings were introduced either alongside credit or soon after, and have evolved in parallel over the decades as an integral part of a broad financial inclusion portfolio. There and elsewhere, compulsory savings were also often included as part of the credit programme, but not as a stand-alone financial service. However, for many MFIs in the world, more formalised savings came much later, when they transformed into regulated entities with the necessary licenses to collect deposits. But in those cases, such savings more often than not focused on gathering deposits from higher-income customers, while for their target poor and excluded clientele, savings products still remain sadly under-utilised.

Another model, with roots going back several decades, is a range of client savings groups formed by various local and international NGOs, often modelled on informal groups such as Rotating Savings and Credit Associations (ROSCAs), which can reach even the poorest households living in remote rural areas. There have been considerable efforts to link them with formal institutions, whether as a means to securely store the savings, access additional capital as credit, or gain access to other products, such as insurance.

Finally, the newest form of savings is happening as part of the rapid growth of digital financial services, leveraging the incredible uptake of mobile (and now smart-)phones to enable mobile savings programmes for more people at lower costs. And there are yet newer trends; cases where clients have taken technologies that were never intended primarily as savings vehicles – such as mobile wallets – to serve an ancillary purpose as a place to keep their savings. This is a fast-evolving market that will undoubtedly continue to transform the savings landscape in the years to come.

society at large. Part of this is because of the enormous number of benefits that savings bring to clients:

- **Consumption smoothing.** For all households – but especially those without the security of salaried income, which comprise the majority of the world's poor – variations in income and expenses can be one of the heaviest burdens of poverty. Easily accessible savings are the most affordable and suitable means of absorbing periodically increased expenditures - and have been shown to be an effective substitute for short-term debt. Unfortunately, too often microcredit (and

1 For further reading on the history of savings, see Due Diligence: An Impertinent Inquiry into Microfinance. David Roodman, CGD, 2012 (Chapter 3: Credit History)

increasingly, digital loans), fills this gap, potentially leading to a risky and costly practice of cycling debt, borrowing from one lender to repay another.

- **Protection from shocks.** Typically, and too often, short-term emergency credit has been the default answer for families who suffer a health-related or other financial shock that leaves them vulnerable to destitution. The shortcomings of borrowing for emergencies are many – high interest rates, delays in getting funds, and sometimes even the need to go to unscrupulous lenders. Insurance can play a key role in mitigating shocks too, but the sunk costs of premiums (which can never be recouped and have indeterminate benefits) is a 'hard sell' to cash-constrained households. But saving for the proverbial 'rainy day' doesn't involve any of those negative consequences. More liquid savings, such as mobile wallets, can even help households better share risks between friends and family.

- **Long term planning.** Besides short-term consumption smoothing and unexpected shocks, there are also large but foreseeable expenses. Many of these are lifecycle events for which savings are perfectly suited and effective, including tuition fees for children or young adults, weddings, childbirth, house purchase/improvement, and eventually retirement. Whether saving small amounts over long periods or setting aside sudden inflows (for example, harvest income) savings helps people accumulate usefully large sums to meet these long-term needs.

- **Gender empowerment.** In many cultures, women lack autonomy over their own finances, and it is common in some countries for husbands to take control of women's cash earnings that they bring back to the household. In other places, where women are the primary money managers in the household, money can still be demanded by spouses and relatives, preventing women from investing in important family needs and from exercising financial independence generally. There is a wealth of research demonstrating the depth of impact that savings has on women's empowerment.

- **Savings as equity creation.** A key aspect of both short- and long-term savings is its value in building equity. Whether saving to buy land or make a meaningful home improvement, send a child to school or vocational training, or buy a long-term asset, these are all ways to increase a household's net worth and improve its financial well-being.

- **Productive investment.** Investing in a business, such as upgrading equipment, hiring more staff, or buying inventory in bulk, incurs significant cost to an entrepreneur, but forgoing this because of lack of capital can involve an opportunity cost as well. Credit is an important way to make this investment – especially when time is a limiting factor – but it is not the only option. Using savings for investment can be a cheaper, less risky and equally effective option – especially for smaller sized investments. And for larger investments, savings can be an important complement to debt, reducing risk to the borrower and lender alike.

- **Formalisation.** For a low-income household, the ability to move from a purely informal activity into the formal financial sector can bring about significant opportunities. For example, purchasing land with a formal title may require capital that only a larger financial institution can provide. And for a client without formal credit history, savings can be an important step towards building a relationship that can unlock that credit.

- **Safety and convenience.** The most common way to save, especially for small, short-term needs, is the proverbial 'cash in the mattress'. But that

Women and Savings

One of the major values of savings is its many impacts on women's empowerment, especially in many of the countries of the Global South. In developing countries, there is a significant gender gap in formal savings, with men being 6% more likely than women to save formally, according to the 2017 World Bank Findex. There is also a persistent lack of formal savings products that meet the specific needs of women. The savings gender gap is as much a problem of access as of suitability.

But to maximise the value of savings, access alone is not enough. Control over savings accounts and how it's exercised is a major factor. When women are able to manage their savings accounts with protected individual access, they increase their financial autonomy and decision-making. That leads to all kinds of household changes, for example increased purchases of productivity-enhancing appliances that typically benefit women, such as washing machines, which enormously free women from back-breaking and time-intensive domestic chores – one of the original cornerstones of women's liberation. In another example, before a factory made the switch from cash to digital payments, women's mothers-in-law sat outside the gate on payday, waiting for their cut; afterwards, employees had their own accounts – and more control over their money.

Groups – collective finance – have always played an outsized role for women. Self-Help Groups have been hugely effective in women's economic empowerment (for savings as well as credit). The VSLA methodology provides another useful lens for savings impact on women – it can be an important channel to increase household income and improve food security, health status or children's access to education. However other research has shown that women's ability to fully participate in and benefit from the VSLA methodology is hampered by gender norms and inequitable power relations with their husbands – further demonstrating the value of savings that are designed with a clear understanding of the full reality of the lives of the women clients they're meant to serve.

Women face specific challenges regarding the most dominant shift in inclusive finance today – the rise of digital financial services. They value privacy more than men – and have different priorities and needs. Moreover, while DFS facilitates convenient and accessible accounts, it also risks increasing existing gender gaps – for example, women are 10% less likely to own a phone, so leveraging this technology provides comparatively more economic opportunities for men. And finally, empowerment through savings goes beyond household dynamics and gender gaps: mobile savings accounts have even been shown to decrease the use of paid sex as a coping mechanism by vulnerable women in Kenya.

comes with risks – theft, fire, typhoon as a few examples – all of which can wipe out hard-earned savings overnight. More commonly still, such cash is subject to "leakage," with the careful saver coming back to the stash to meet immediate needs, help out a family member or a neighbour, or to succumb to a temptation purchase. Saving in a formal account, especially one that requires some extra effort (even if small) to access, is a motivator - for all people, everywhere.

How "Real" People Save

The benefits to clients are clear and numerous. So what drives the decisions about how to take advantage of these benefits? And what factors impede savings? Financial decisions are affected by a multitude of variables: long-term calculations, risk avoidance, gut instinct, habits, social pressures, misaligned incentives and misperceptions. Put together, they create savings practices that aren't well aligned with the traditional economic view of people as rational actors, nor are they well matched to traditional savings products like time deposits and current accounts.

Instead, people employ different 'mental models' that help them save better. Many can be seen in the informal sector. One common practice is using different jars for different savings purposes (e.g., one jar might be for an upcoming wedding gift, another for school fees, still another for daily needs). Similarly, a typical ROSCA – a group of friends or colleagues that gather on a regular basis (such as a payday) and put in a fixed contribution into a pile that each member takes home on a rotating basis, repeating the cycle until each person has received the "payout" – is a way to save by creating an obligation to one's peers. Another particularly common practice is giving cash to a neighbour to safeguard – not because the neighbour's house is more secure, but because it gets cash out of the house, where it can't be spent.

The complex 'mental models' that show up in these informal practices are starting to be better understood and explained by the relatively young area of behavioural economics, which stands in contrast to classical economic theory which always maintained that humans are rational economic actors. Instead, the biases and cognitive limitations which drive behaviour are "human traits that systematically influence individual decisions and market outcomes", according to Nobel Laureate Richard Thaler, and are central to savings choices, among other things.

With few exceptions, the products offered by banks and other deposit-taking institutions do not fit well with the mental models underlying those of typical small-scale savers. However, the few exceptions that do exist – such as prize-linked savings accounts, which avoid telling people to save rather than buy lottery tickets by instead bringing the 'thrill' of a lottery into savings – show just how effective savings can be when they match how real people actually think and behave.

More recent examples, designed through behavioural economics research, show similarly promising outcomes. The Save More Tomorrow[2] programme involved prescriptive savings advice, and opt-out models involved switching employees from defined-benefit to defined-contribution plans. The programme found that at least some low-saving households welcome aid in making decisions about their savings. Commitment savings have emerged as an important means for providing savings opportunities that both fit people's mental models and also result in substantially higher levels of saving. Some aspects of this, such as clearly denoting the purpose of the savings (such as for health expenditures) can increase saving activity. Even simpler interventions, such as simple reminders to save, have likewise proved effective in increasing savings.

These are just some examples from a growing research field that reveals how better understanding people's mental models and behaviours means they can be 'nudged' towards positive behaviour - such as planning for the future,

2 https://www.jstor.org/stable/10.1086/380085

managing risk and reducing the inappropriate use of credit.

Why Savings Matter to Financial Services Providers

The benefit of savings extends beyond those clients and their households. There are significant benefits to financial services providers as well. Savings mobilisation can also offer an opportunity for providers to develop new relationships with clients. Providers that offer meaningful savings services to a broad client base can sustain growth and innovation for longer periods than those that do not, because of deposits' higher stability, linkage of institutional growth to clients' preferences and economic trends in the environment, increased customer loyalty to the institution, as well as increased opportunity to cross-sell products like credit to clients they already know well from their savings history.

Savings also offer financial stability. For example, diversifying into local currency deposits can reduce dependence on foreign funding and reduce the risks stemming from exogenous financial and political events. Moreover, when those deposits are further diversified among different population segments, that can further offset liquidity pressures due to seasonal or periodic collective cash needs.

Finally, savings mobilisation is often associated with an inexpensive source of funds for financial institutions. However, when it comes to small savings, the matter is more complex. For institutions collecting deposits from higher-income households, the funds can indeed be cheaper than borrowing from institutional and foreign creditors, particularly due to the added benefit of local currency. However, for those focused on savings as a service to poor households, the cost of delivering those services more or less offsets the benefits of lower capital cost.

Why Savings Matter to Communities

The benefits of widespread access to effective and inclusive savings and the formalisation of savings within an economy are not limited to the direct benefits to clients and providers: there are significant benefits that accrue to communities and societies as a whole.

First, a savings culture is part of the development of an 'ownership society', in which citizens can acquire wealth, build assets, and have a personal stake in the prosperity of the environment around them. An 'ownership' society can bring expectations of accountability of the state *vis-a-vis* the individual, particularly on matters of regulation, transparency, corruption and a more stable financial and economic system overall. This is complemented with growth in the private sector, when formalised savings becomes the norm. New providers enter an (ideally) competitive marketplace, in theory reducing costs, increasing efficiencies, creating jobs and expanding the private sector's role beyond just financial services.

Saving – especially for mitigation of shocks, and health shocks in particular – can also improve health outcomes, enabling treatment in communities where free-at-point-of-service health care is limited or non-existent. When individuals can access health care, there is a knock-on effect on families, communities, and society.

The empowerment of women that comes from enabling their financial autonomy likewise has benefits that radiate out beyond the individual, as described in the box on page 10. Outdated prejudices and practices can be replaced by more equitable and progressive gender roles, and the unleashing of women's economic potential in the economy.

Finally, savings – by definition – involves thinking about the future, planning for goals and contingencies ahead. A reduction in impulsivity and risk-taking, replaced by future planning, is positive at the micro and macro levels alike. And households that are able to save for later in life place fewer burdens on the state, freeing funding for projects - transport, education and health infrastructure as examples - that benefit society as a whole.

THE EUROPEAN MICROFINANCE AWARD 2020

Objectives & Eligibility Criteria

The European Microfinance Award 2020 (EMA2020) sought to highlight organisations and programmes that are **innovating in the encouragement and delivery of savings to low-income and excluded populations**. There are three components in this Award topic that applicants had to demonstrate:

1. Encouraging

Financial and non-financial institutions can encourage savings by lowering barriers (making savings accounts/groups easy to open or join). But access alone is insufficient. Just as important is for institutions to show that their savings programme is built with a holistic understanding of clients' behaviour - to take advantage of incentives, group coordination, and teachable moments for awareness-building to promote positive savings behaviour.

2. Effective

Savings are effective when they are: well matched to clients' specific goals and needs, are affordable, accessible, secure, easy to understand and wherever possible take advantage of technological innovations at the client and institution side to expand outreach, lower costs and improve service quality. These products are affordable for the client and sustainable for the institution, highly transparent, and see genuine client usage (rather than, for example, programmes that prioritise the opening of many new accounts that end up dormant). Finally, an effective savings programme is based on - and drives - strong trust relationships between the client and provider.

3. Inclusive

Savings are inclusive when they reach un(der)banked and excluded segments - with a special focus on women and youth. Successful savings programmes should also include a focus on the protection of those most vulnerable to shocks, and do so within a comprehensive client protection framework, recognising that taking poor clients' savings is a moral as well as a financial responsibility - to not only safeguard their money, but to do so affordably and with high levels of transparency.

Finally, the EMA2020 looked where possible for evidence of programmes that promote a more amorphous concept - the development of a **culture of savings.** This concept includes evidence of active usage, high customer value, security and trust, a genuine focus on financial education, and engagement (where relevant) with regulators and policy-makers, all sufficiently widespread and with the institution having played a role in the promotion of this savings culture.

Eligible applicants were organisations active in the financial inclusion sector that play an *integral* role in encouraging and/or providing effective and inclusive savings within low income, vulnerable and excluded groups. This includes many different types of financial services providers (FSPs) that provide savings directly to clients, but also includes non-financial institutions that play an integral role in the provision or mobilisation of savings (for example, via partnerships or other relationships)[3].

Eligible institutions had to be based and operate in a Least Developed Country, Low Income Country, Lower Middle Income Country or an Upper Middle Income Country as defined by the Development Assistance Committee (DAC) for ODA Recipients.

Relevant products and services had to be fully operational for at least one year. 'Fully operational' did not require that relevant products and/or services must be offered in all branches or locations. Eligible institutions had to be able to provide audited financial statements so that financial performance can be evaluated. Finally, every applicant invited to apply for Round 2 had to provide written support from an e-MFP member, e.g. a short message or a letter from the member addressed to the e-MFP Secretariat.

Covid-19 and the EMA 2020 Award Process

Of course, the EMA process in 2020 coincided with the Covid-19 pandemic, with economic shutdowns and macroeconomic downturns becoming widespread soon after the launch of the Award. Recognising the extraordinary pressures many applicants would be under, but also the particular relevance of savings in strengthening household and business resilience during this difficult time, the Award team decided to: 1) Extend the deadlines for applications; 2) add a question to the application forms on the impact of Covid-19 on their clients, staff and the institutions themselves; and 3) for the first time, to ask for financial statements that cover the application period itself, allowing the evaluators to determine the early effects of the pandemic on the institution's resilience.

Selection Process

Round 1 of the European Microfinance Award 2020 on 'Encouraging Effective and Inclusive Savings" received 70 applications from 37 countries – easily a record – representing a diverse set of provider types and with operations in all regions of the world.

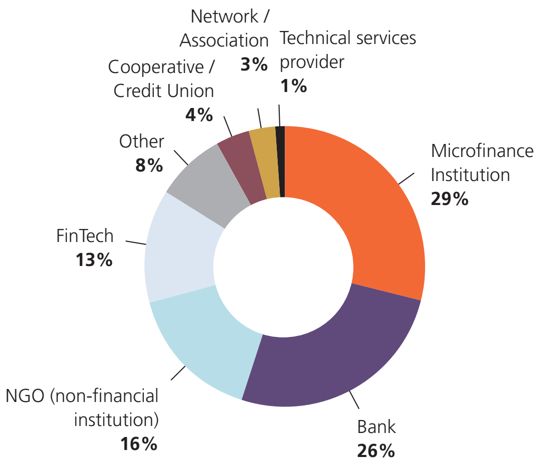
Every single applicant invited to proceed to the second round – 38 out of 38 – completed this more comprehensive application form. This is also a record.

The EMA Preselection Committee then evaluated all 38 against a comprehensive set of criteria, and 19 were forwarded to a Selection Committee of experts. The 19 pre-selected programs were based in 17 different countries, from all the main geographic regions of the world. Among them were 10 microfinance banks, 3 NBFIs, 2 cooperatives/credit unions, 2 FinTechs and 2 NGOs.

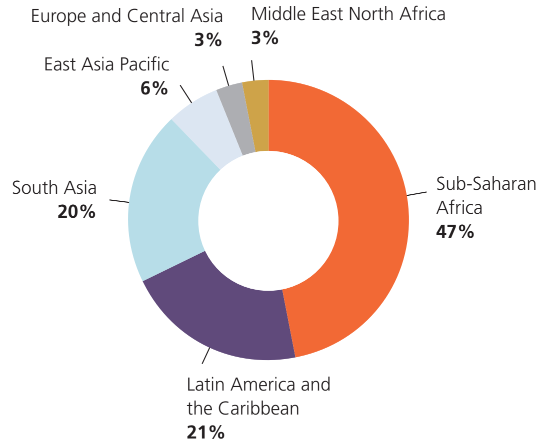
After two weeks of individual evaluation, the Selection Committee convened online in late September to choose the ten semi-finalists listed on page 15 (and among them, the three finalists) profiled in this paper.

3 NGOs that facilitate formation of savings groups, developers of mobile apps whose products are deployed by financial institutions to facilitate more effective savings, or other organizations that play a meaningful role in the provision or mobilization of savings

APPLICANTS BY TYPE OF ORGANISATION



APPLICANTS BY REGION



SEMI-FINALISTS & FINALISTS OF THE EUROPEAN MICROFINANCE AWARD 2020

Institution	Country	Category
Buusaa Gonofaa Microfinance	Ethiopia	**Finalist**
Muktinath Bikas Bank	Nepal	**Finalist**
RENACA-Bénin	Benin	**Finalist**
Cooperativa Fondesurco	Peru	**Semi-finalist**
DSS Platform Ltd.	Ghana	**Semi-finalist**
Fansoto	Senegal	**Semi-finalist**
Mobilink Micro-Finance Ltd.	Pakistan	**Semi-finalist**
Opportunity Bank Serbia	Serbia	**Semi-finalist**
RENEW Microfinance Private Ltd.	Bhutan	**Semi-finalist**
Ujjivan Small Finance Bank	India	**Semi-finalist**

THE AWARD SELECTION PROCESS

70 APPLICATIONS FROM 37 COUNTRIES

Round 1

(short application form)

Committee composed of the e-MFP and InFiNe.lu Secretariats and the Award consultants

↓

38 APPLICATIONS FROM 26 COUNTRIES

Round 2

(more comprehensive application form)

Committee composed of the e-MFP and InFiNe.lu Secretariats and the Award consultants

↓

19 PRESELECTED APPLICANTS

Selection Phase

Committee composed of e-MFP and InFiNe.lu members

↓

10 SEMI-FINALISTS

↓

3 FINALISTS

Final Phase

High Jury

↓

WINNER

ENCOURAGING EFFECTIVE & INCLUSIVE SAVINGS: THREE KEY APPROACHES

The 70 Award applicants – and especially the ten semi-finalists profiled in this paper – represent an extraordinarily diverse range of savings initiatives, provided by different types of organisation, and in all regions of the world. The qualities that distinguish the semi-finalists are varied and cannot ever fit into a discrete category; they each do many different aspects of savings mobilisation well.

Nevertheless, from the Award evaluation and selection process there have emerged **three general approaches** by which financial services providers can encourage effective and inclusive savings, and into which the semi-finalists can be categorised.

They are:

1. **Designing Products for People & Purpose**
2. **Enabling Saving through Delivery Innovation**
3. **Encouraging Clients to Save**

The following sections will examine each of the three, and profile the Award semi-finalists that most embody that approach.

1

DESIGNING PRODUCTS FOR PEOPLE & PURPOSE

"Recognising the need is the primary condition for design"

Charles Eames

From the early days of one-size-fits-all microcredit, there has been a welcome trend towards products that are demand-driven, matched to specific clients segments' needs, and better tailored to those products' specific purpose. This is increasingly true in savings as much as in credit, insurance or payments, and many of the EMA2020 applicants – and among them, the semi-finalists and finalists profiled in this paper – exemplify this positive evolution, clearly developing products that respond to the specific life situations of target low-income populations, and purposes for which they need to save.

Buusaa Gonofaa (BG), one of the Award finalists, is an MFI that offers credit, savings and agriculture value chain financing in Ethiopia. Its main savings initiative presented for the Award is a high-touch model called 'Dejaf Iqub' (Dejaf = door-step; Iqub = local ROSCA), alongside passbooks and other savings products. Dejaf Iqub was launched in 2016 after a lengthy 'test and learn' exercise, with the aim of attracting large-scale saving deposits by offering a safe, easy and appealing way of saving through regular doorstep collection of goal-based small deposits. Dejaf Iqub targets informal microentrepreneurs operators with active cash flows who run businesses in densely populated market centres.

Dejaf Iqub has several interesting characteristics. First, it is delivered *at the doorstep*. Customer Service Officers (CSOs) travel to the client's shop to meet face-to-face and agree on the client's saving frequency and the collection amounts. Second, there is a real focus on saving *discipline*. Deposits are collected at regular intervals (decided with the client), and spending temptation is discouraged by asking the client to travel to the branch for withdrawal. Third, this model is promoted as a *safer alternative* to informal saving options. And fourth, Dejaf Iqub is designed to encourage *commitment savings* – clients commit to save towards a self-defined goal (such as festivities, children's education, housing improvement, household asset acquisition, or business expansion).

There are several elements that underpins Dejaf Iqub's success. It is an easy and appealing way to save, reducing the challenges of remembering to save, cost and time of travel, and the opportunity cost of leaving

Buusaa Gonofaa Microfinance

Ethiopia

Buusaa Gonofaa, an EMA2020 finalist, is an NBFI in Ethiopia which was founded in 1999 as an NGO. Although it had a deposit-taking mandate, it only offered compulsory savings until 2012, when it launched a new savings initiative. BG's main target population is the poor, with a particular focus on women, young people who do not own land, and smallholder farmers. As of 2019 its 109,000 savings clients had EUR 7 million in deposits and were supported by 452 staff.

Effective and inclusive savings is achieved through accessible and community-based delivery models such as collection at the door-step in urban areas, and Rural Service Facilities (RSF) to reach more remote rural areas and under-served segments: 57% of BG's savers are female, 59% live in rural areas, 16% are under 25 years old and only 8% are salaried employees.

BG's primary savings initiative is "Dejaf Iqub" – a doorstep ROSCA model which is both a delivery channel and a product – but it is not BG's only savings product. Others include passbook voluntary savings, remunerated at 7% and with deposit and withdrawal done at BG branches; and RSF Savings – the RSF is a quasi-SACCO type approach where BG constructs a small office with furniture and cash safe box, provides training and community members are fully responsible for the daily operations of savings and credit; with intensive monitoring and control by BG field staff. BG also offers loan-tied compulsory savings within joint-liability solidarity groups, from 5 to 15% of the loan amount.

one's business closed in order to deposit funds. It also involves regular face-to-face meetings between the client and the CSO – a well-established motivator for continued savings, borrowed from established group saving methodologies. Knowing you have a fixed appointment to meet with others is a strong incentive to maintain saving discipline. Further, the deposit amounts are small and, most importantly, regular – reducing the opportunity for temptation spending, and developing routine, while transforming small amounts into useful and secure lump sums. And finally, the programme primarily targets informal microentrepreneurs, with small daily cash flows in high-density market environments, which is well matched for regular small deposits and making face-to-face service more efficient.

The Dejaf Iqub model is notable for being especially 'high touch' – requiring care and resources on the MFI's part to translate into actual usage of the savings model that matches strongly with a specific client's needs, goals and context. So, new account opening requires the CSO to visit prospective clients 3 to 5 times, engaging them in conversations that lasts 5 to 10 minutes with the objective of deep and accurate insight into her existing money management practices. A CSO will demonstrate to this new client how Dejaf Iqub has real value compared with various informal options she is already using. The CSO will assist her in filling forms, engaging her to articulate her self-proclaimed savings goals (rather than being driven by the CSO), and then the CSO and client work together to determine a suitable weekly deposit amount and agree on a weekly collection date and time.

A CSO will collect deposits from around 180 women, any one of whom might typically be a petty market trader, aged 26, and who deposits an average of EUR 6, every Saturday at her open air vegetable stand, intending to save for six months to pay her daughter's school fees.

Beyond the Dejaf Iqub doorstep model, BG also offers Rural Service Facility (RSF) Savings, a community based rural service to serve hard-to-reach areas and clients, and where deposit and withdrawal are made at the RSF outlet and managed by the community with the support of BG staff. It offers a typical bank-type tiny balance deposit to farmers and rural villagers. All of

BG's individual voluntary savings products (passbook saving, planned, time deposit and loan-tied savings) can be delivered through this RFS methodology.

Muktinath Bikas Bank Limited (Muktinath) is another Award finalist which has adapted community-based saving models and like Buusaa Gonofaa, Muktinath offers a range of highly-targeted savings products for its client base, but whereas Buusaa has adapted modern processes and knowledge to the old susu model, Muktinath has done the same for solidarity-based group savings.

Muktinath is a private, national-level Development Bank in Nepal which provides banking services through a commercial banking and microfinance model. Through its Small and Micro Banking Department, a dedicated team serves poor households and low-income women with a range of banking products via an adapted solidarity group model, with doorstep services.

Muktinath serves particularly under-served client segments, with more than 70% of its clients in rural and remote areas where there is lack of infrastructure, banking and insurance services. 68% of branches are located in rural and semi-urban areas. 60% of clients are women, 14% are under 25, and only 2% are salaried employees. Most of its clients' household sources of income are from agriculture, trading and service businesses.

Low-income people are hesitant to go to conventional banking branches to access their services, and the costs of accessing services for small amounts imposes significant opportunity costs on clients far from a branch. To address this, Muktinath designed a modified solidarity group model to reach these target segments, by providing doorstep services to its solidarity group clients. Clients are able to save and withdraw their savings at their doorstep during monthly group meetings. If they need to withdraw savings on other days, they can come to the branch office and meet with the employee assigned to that client's village and with whom they have an established relationship.

Various products are offered via both group and individual models. Solidarity group members commit to

Muktinath Bikas Bank

Nepal

मुक्तिनाथ विकास बैंक लि.
MUKTINATH BIKAS BANK LTD.

Muktinath Bikas Bank (Muktinath), an EMA2020 finalist, is a leading national-level Development Bank in Nepal, established 2007, and with almost 510,000 total savers (130,000 within the microfinance unit of the bank), 127,026 of them within 37,363 groups as of 2019, with EUR 375m in total deposits, supported by over 1,200 staff. To reach its targeted population, Muktinath designed an adapted solidarity group savings model with doorstep services, encouraging positive savings activity via a combination of incentivising mandatory and interest-earning voluntary savings, including dedicated pension and insurance savings products, alongside extensive financial education.

Before this, Muktinath's target client base used to save in the form of acquiring assets like purchasing cattle, gold, land, or lending to neighbours. These savings would seldom meet both their immediate and long term needs like medical emergencies and lump-sum amounts needed after 10-15 years. On the other hand, the clients had to compromise in distressed sales of their assets at low prices. Additionally, the client had to face the risk of uninsured loss of assets by fire and natural disasters. Muktinath's range of mandatory and voluntary savings is designed to help clients smooth consumption, mitigate shocks, and accumulate usefully large sums for long-term plans.

minimum mandatory savings (of approximately EUR 0.75 per member per meeting) and Upakar Savings, where group members deposit tiny amounts of not less than EUR 0.03 to meet common expenses for the group.

There are several voluntary savings products as well, including: Personal Savings (with a EUR 0.75 minimum balance and no limit on deposit and withdrawals); Pension Savings (encouraging frequent deposits for long-term saving, and if the client doesn't withdraw for 15 years she receives an additional 100% of the deposited amount); Festival Savings (a commitment savings to plan for celebrating certain festival obligations); Term Savings (3 months or more); and Insurance Savings, designed to increase access to life insurance (there is a minimum opening balance of EUR 0.75 and then clients deposit any amount they wish until they are able to purchase the desired insurance; if a claim is made, the bank facilitates the process). In this last product, Muktinath has partnered with several life insurance companies to provide a competitive market of insurance products.

Finally, Muktinath also offers Atamnirbhar (Self-reliant) Saving to gather savings from the remittances of migrant workers and channel savings into investment (a collateral-free loan can also be linked to this savings product). It has long been known that the money remitted by migrants is used to supplement the receiving family's income and is therefore largely spent on consumption; only a small amount of remittances is invested in productive assets, much less saved. The Atamnirbhar Saving account can be opened by the migrant worker or his/her family member. Some portion of the remitted money has to be saved on a regular basis for the duration of the sender's time abroad. When the migrant worker returns to Nepal, s/he can withdraw money to start a business. Muktinath matches the deposited money as a collateral-free loan. The rationale for this product is the use of the funds for productive purposes and to provide easy capital for business growth and self-employment.

A range of savings products clearly marketed to particular client segments and their real needs also characterises the savings initiative of **Cooperativa Fondesurco**, a cooperative/credit union in Peru which

Cooperativa de Ahorro y Crédito Fondesurco

Peru

Cooperativa Fondesurco is a cooperative/credit union in Peru, founded in 1994 with the support of two local NGOs, CEDER and DESCO, and in 2015, it became a Savings and Credit Cooperative specialised in rural microfinance. As of 2019, it serves over 17,000 savers, with EUR 20.6m in deposits, supported by 192 staff. In line with its mission, Fondesurco works in the poor, remote and underserved rural areas of Peru, where the target population is mainly farmers and local merchants. The saving programme was first launched in 2015, with the support of several international stakeholders. (Saving products were designed under the programme called *Alianza para el desarrollo de las finanzas rurales* (AEFIR), financed by FOMIN and FMO, and managed by INCOFIN Investment Management.

Fondesurco offers four main savings products of variable terms, currency and target market, plus an incentive plan for partner promoters who market and arrange the opening of savings accounts. Many relatives and friends of these promoters have savings accounts in the institution.

Dormancy in Savings: The Challenge of Measuring *Real* Account Usage

A core measure of impact in financial services is *outreach* – how many individuals use the service? Closely related is the institution's *target segment* – is the institution serving the poor? In savings, the two figures are rarely easy to assess due to the key issue of dormant accounts - accounts that have little or no balance and are not used by the clients.

Consider an institution claiming 100,000 accounts averaging $300 per account. At first glance, that looks like it's doing great on outreach, serving clients who, if not poor, are certainly not wealthy. But if 80% of these accounts are dormant (not an unusual figure), the actual outreach is 20,000 accounts with an average balance of $1,500 per account - an entirely different picture of both how many clients are served and who those clients are. And dormancy isn't the only measure of effectiveness; you have to also consider the level of transaction *activity*. Combining those two perspectives yields a richer and more valuable understanding of savings usage.

For example, fixed term savings tend to feature higher average balances and few if any empty accounts. They also often comprise a large portion of the institution's total deposits. However, they have very low transaction activity – as is expected from accounts that are by design long-term savings. Commitment and similar savings accounts are usually used by poorer clients and so have modest balances, but few empty accounts and high transaction activity, with deposits outpacing withdrawals – again, as per design.

By contrast, current or other generic savings accounts typically feature high levels of dormancy, with many empty accounts and low transaction activity. This is often the result of accounts being open for purposes that are temporary (for example, to deposit loan proceeds), and are then not used.

Finally, digital wallets and other mobile accounts often have very high numbers of low- or zero-balance accounts, yet they feature high transaction activity (at least for successful programs). This is to be expected from accounts designed for frequent transactions, but with clients rarely keeping significant balances on such accounts.

So, to understand and evaluate the effectiveness of a savings initiative, it's important to evaluate *actual* client usage in the context of the organisation's capacity *and* the intended purpose of the savings product. How successfully do different products fulfil their stated goals and in doing so, encourage *actually* effective and inclusive savings?

A core problem facing the sector is that existing reporting on savings provides no information to help make such distinctions. Average savings balances – when they are reported – are provided only as aggregates, and transaction data is exceedingly rare.

Capturing data on account balances and activity was an important part of the EMA2020 selection process. To do so, applicants were asked to provide both relevant balance and transaction data, which was incorporated into the process that led to the selection of the ten semi-finalists in this paper. In doing so, what's emerged is clarity both on what's possible and also what's unrealistic. Many institutions don't currently have the technical capacity to run *ad hoc* reports on data that is rarely used in that way.

It's time for a re-think of how the various stakeholders (FSPs, regulators, funders and support providers, among others) can work together to improve data collection and reporting on how savings accounts are actually used – and therefore the value they provide to clients. The notional reasons savings benefit clients, providers and communities are well established. Ensuring they actually translate into those benefits requires a more focused effort to establish industry-wide metrics, which can be incorporated into reporting platforms for all types of institutions – and finally provide a clearer picture of how savings products are actually used.

predominantly services rural micro-entrepreneurs – mostly farmers, breeders or traders. 80% of Fondesurco's clients are rural, and the rest in semi-rural areas, and 36% are very poor.

Fondesurco currently offers four saving products. The first two are: *Ahorro a plazo Fijo* (Fixed term saving), available both in local and foreign currency and with flexible terms, a product which is promoted as an alternative to a pension or other retirement plan due to the difficulty of rural entrepreneurship activities in Peru being eligible for the relevant social security benefits; and the *Ahorro Programado* (Scheduled saving), designed as a monthly saving plan to achieve a goal determined by the member (for example, the purchase of cows or land or pursuit of a business opportunity). Both products allow clients to access a credit line under favourable conditions, by using their savings as a guarantee.

In addition, *Ahorro Móvil* ('Mobile' saving) allows clients to make unlimited transactions, both in national and foreign currency, to third parties by using Fondesurco's network of offices with no additional charges. And *Ahorro Cuenta Niños* (Savings Account for Children), is designed to help members save to build up a student fund for their children's future education.

Fondesurco is a strong example of an institution that in only a few years has designed its saving products with both client profile and purpose clearly in mind, recognising the importance of a *de facto* retirement product for its rural clients, their need for goal-based savings, as well as engendering a savings culture among its clients' children via the dedicated children's saving product.

2

ENABLING SAVING THROUGH DELIVERY INNOVATION

"The value of an idea lies in the using of it"

Thomas Edison

Savings have many components: they are products (in the forms of accounts) and actions (in the form of what savers *do* to save money and why), but also the *mechanisms* by which the products lead to the actions. These are the delivery channels, innovation in which makes savings easier, more accessible and more secure, and provides the framework for institutions to encourage the activity of savings. Several of the EMA2020 semi-finalists have demonstrated innovation in delivery of savings.

RENACA-Bénin, an Award finalist, is a union of cooperatives in Benin whose savings initiative focuses on 'doorstep' collection of a range of savings products, supported with promotion via savings and credit groups (known locally as *tontines*), and facilitated by a mobile application and tablets for security and convenience. The rationale for this stems from poor public confidence in traditional tontine collection models and inconvenience for clients, reducing access and uptake of savings.

RENACA's programme, launched in 2018 via 11 'counters', or sub-branches, puts much more emphasis on responding to the requests of clients and to educate clients on the value of regular saving. To maintain their loyalty, RENACA had to find the right model to contain operating costs while offering differential advantages compared with the competition. To respond to the inconvenience of traditional branch-based savings models and to innovate in delivery, RENACA recruited and trained female collectors who were provided with motorcycles before being sent out in pairs.

These Savings Promotion Agents (SPAs) offer this service to clients at their homes or workplaces, allowing them to save money without hassle. This proximity limits opportunity costs for clients, who no longer have to make costly trips to counters with the attendant travel hazards and the potential waste of time and loss of clients.

The program has two main components: collecting community savings securely at the doorstep; and promoting Self-Managed Savings and Credit Groups (SMSCGs). For doorstep products, clients must obtain a passbook at a cost of EUR 0.46 and can choose between a wide range of products of variable maturity, amount and deposit frequency – such as Demand

RENACA
Benin

RENACA-Bénin (RENACA), an EMA2020 finalist, is a union of cooperatives in Benin, which operates through a network of 8 branches and 25 sub-branches and is among the 12 largest SFD (Societé financiere decentralisée) in Benin. Established in 2005, RENACA mainly targets low income and vulnerable populations in rural areas and as of 2019, RENACA's 247 staff support over 150,000 individual savings clients and over 12,000 savings groups, with EUR 7.5m in deposits. RENACA's savings initiative focuses on doorstep collection of local savings via a wide range of products ('tontine' doorstep models, term deposits and demand deposits), and promotion of savings through community savings and credit groups, supported by a mobile application and use of tablets for secure and trustworthy client transactions.

RENACA has introduced a doorstep model based on recruiting and training highly mobile, female collectors - Savings Promotion Agents - who work in pairs, under oversight of a supervisor. The objectives of this and RENACA's other savings initiatives are to make a sustainable contribution to increasing the autonomy of low-income social groups; to reduce the cost of accessing financial resources for the network; and to raise awareness of the importance of solidarity-based saving among the various populations. 70% of RENACA's savers are female, 65% live in rural areas, 30% are under 25 years old and 2.5% of savers are salaried employees.

Deposit and Term Deposit. The SPAs each have a coverage area to which they are assigned and are monitored by a supervisor. A digital platform including a mobile application and use of tablets for the client transactions are also used, which RENACA claims has consistently improved security and speed of the transactions.

RENACA claims that efficiencies in the delivery of these savings services means that account maintenance fees are much lower than those of competitors. The proximity and convenience of doorstep savings reduces the opportunity costs to clients of at least EUR 2.50 per week compared to having to travel to a sub-branch, and various measures – a cap on withdrawals, the appointment of a programme manager, the creation of a team of SPA supervisors, the limit on cash in hand and the requirement to work in a single shift – have all boosted operational security. Finally, the gradual roll-out of portable Point of Sale (POS) terminals and tablets for SPAs has helped to streamline operations to no more than 30 seconds per transaction and dramatically increase reliability through automatic receipts and updating of management information systems.

RENACA's model for updating doorstep savings involves providing its savings services directly to clients. By contrast, **DSS Platform (DSS)** is another institution that has taken a centuries-old savings model into the 21st Century but does so via providing services to enterprises providing susu savings (susu means 'plan' and involves informal daily doorstep savings) . DSS is a FinTech company that evolved from a former susu provider and which has established a digital platform to systemise the operations of its network of client susu enterprises and to improve the quality and safety of the enterprises' savings delivery. DSS, in updating this very old model with modern technologies, reduces the risk to both client and collector, increases transparency and accessibility, while building on a well-established local savings practice. Storing of deposits at partner banks further reduces the risk of deposits being lost or misappropriated.

The traditional susu model is fraught with challenges, key amongst them being the misappropriation of cash by field agents who mobilise savings from customers and the misuse of customers' funds by susu enterprises due to lack of transparency and ineffective monitoring by the regulator. As a former susu operator itself, DSS faced these challenges often, with agents under-declaring savings mobilised from customers. Mobilised savings were always less than funds recorded in customers' susu handbooks, hence whenever DSS received increased withdrawal requests, DSS had to defer payments or inject personal funds to maintain customer goodwill. This challenge threatened its own susu venture and DSS claims it still plagues over 90% of existing susu enterprises.

And things get harder in a crisis. In the event of an economic shock that risks panic withdrawals (such as the Covid-19 pandemic) many susu enterprises cannot meet their obligations to customers and it's not uncommon for susu enterprises to shut down and the owners to abscond with savings funds. But DSS reports that all the enterprises on DSS Platform have met customer demands for withdrawal through the pandemic and DSS is now seeing some new depositing. The DSS digital platform allows monitoring of savings mobilisation in real time, eliminates the manual process of keeping and reconciling transaction records, introduces transparency in the management of customers' funds by enterprises and improves the standard and quality of reporting as required by the regulator.

DSS offers three main variations of susu savings: a Regular Susu Account through which the customer can save flexible amounts on a daily basis and is charged 3.33% on the withdrawn amount; a Susu Plus

DSS Platform Ltd.
Ghana

DSS is a Fintech company in Ghana established in 2016, serving over 26,000 savers via 31 susu enterprises as of 2019, who together have EUR 12.6m in deposits. DSS focuses on providing a combined phone/smart card-based deposit mobilisation platform for susu operators. The platform supports these informal saving collectors to systemise their savings operations and to improve the quality and safety of their saving delivery. DSS's mission is to equip susu with innovative technology enabling financially excluded people to access a wide range of adapted financial services.

DSS aims to improve the efficiency and transparency of susu operations and to ensure that depositors' funds are safeguarded. Its customers are susu operators and their clients, which generally are rural poor women and low-income informal entrepreneurs. The company started as a susu operator in 2013 and the digital platform was officially launched in 2016. DSS's business model is to generate revenue from susu subscription fees and commissions by cross-selling financial products.

DSS' Mobile application system allows monitoring of savings mobilisation in real time and reducing manual processes, which in turn decreases fraud and misuse of funds, increases transparency, and improves the reporting capacity of susu enterprises, in line with regulatory requirements. The DSS digital platform is designed to function with and without internet connection to cater for customers in rural areas with poor or no internet connectivity.

Account, designed to attract price-sensitive people, especially young savers, with no charges on the account but minimum balance of around EUR 3; and a Susu Business Account with free withdrawals and no minimum balance, with a monthly maintenance fee of around EUR 0.85. For all accounts, clients are issued a smart card with an account number.

DSS extensively trains susu enterprises on the effective use of the platform, as well as training on client protection and sensitisation against fraud. DSS also delivers financial education (including financial literacy and fundamental business management) to end-client businesses through a Customer Business Club (CBC) and is currently preparing training manuals for the CBC members. CBC members will be also provided with a business management application that will help members with budgeting control and conduct savings operations.

Like DSS, **Mobilink Micro-Finance Ltd. (Mobilink)** uses new financial technologies to increase access efficiency, usage and reach of savings, but does so via a branchless mobile wallet. Mobilink is a Pakistani Microfinance Bank, with almost 20 million savings clients as of 2019. Mobilink's flagship product is the branchless mobile wallet JAZZCASH, that works as a traditional e-wallet. The account is easy to open (after simple and integrated KYC) and simple to maintain, thanks to the bank's nationwide network of POS agents and ATMs. The e-wallets are primarily designed for communities with no or limited access to any banking infrastructure – those located in remote areas, female households, farm workers, students studying away from home, and migrant factory workers. Mobilink reports that 34.5% of savers are women and 92% live in rural areas.

Mobilink has reached its enormous scale in part by providing incentives to clients to promote and stimulate savings habits (e.g. free GSM minutes, mobile data and partner discounts). In addition to the e-wallet, Mobilink also offers a regular saving account (Bachat Account) and a term deposit facility that can be used as a goal based saving programme. Finally, since 2017 Mobilink has been collaborating with the National Financial Literacy Program, in partnership with the State Bank of

Mobilink Micro-Finance Ltd.

Pakistan

Mobilink Microfinance Bank

Mobilink is a Pakistani Microfinance Bank established in 2012, and as of 2019 serves almost 20 million savings clients, with EUR 170m in deposits, supported by over 1,400 staff. Mobilink is backed by the global telecom group VEON and partners with Pakistan's largest telecom operator JAZZ. Branchless operations were launched in 2012, under the brand name JAZZCASH. Mobilink is a hybrid model that combines traditional microfinance services with mobile and digital banking technologies, throughout a vast network of 74 branches and over 84,000 agents. The bank offers a wide range of financial services adapted to different levels of financial and digital literacy (e.g. savings, loans for micro enterprise and small housing needs, remittances, mobile wallets, insurance, payment, etc.).

Mobilink's major target market is people not having access to banking infrastructure who are living in far flung areas which are less developed and are economically neglected. Women working from their homes, domestic female workers and female farmers are major focus for this saving plan, given the substantial barriers women in Pakistan face in commuting and traveling independently.

Pakistan, on various financial literacy themes, including budgeting, savings, investments, debt management, consumers' rights and obligations, Islamic banking and branchless banking.

Mobilink's saving facility, and in particular the e-wallet, has enormous outreach (almost 20 million accounts registered as of December 2019, many with significant account activity) and significant potential for further growth, especially in the context of the Covid-19 pandemic and the long-term needs for increased social distancing. More than any of the other Award semi-finalists, Mobilink illustrates the economies that emerge from massive scale, in an established market for e-wallets and other branchless banking models that can serve remote rural communities where branch access is difficult, while at the same time ensuring that more traditional, branch-based products remain available for clients of all needs, goals and income levels.

Like Mobilink, **Ujjivan Small Finance Bank (Ujjivan)** is a bank, having transformed into a Small Finance Bank in 2017 and is now able to take deposits and offer a broader range of savings products and services to its large client base. To do so, Ujjivan ensures its savings programme is flexible and inclusive by offering several products. There is a simple and flexible Saving Account, (marketed as an Emergency Account) with no charges and minimum balance requirements available at the client's doorstep and which can be set up via handheld device in only 20 minutes. The account, which pays 4% interest per annum on balances up to EUR 5,800 equivalent, allows clients to withdraw the entire balance - a valuable option in cases of financial shock or distress. It can be used to receive direct government subsidies or education scholarship funds and, in the case of small business owners, can receive payments from customers via a QR-based payment solution. Ujjivan has over 20,000 customers using this last service, receiving payments worth EUR 350,000.

Ujjivan also offers Recurring Deposits (RD) and Fixed Deposits (FD), in which customers can save a fixed amount, as low as EUR 1.15 equivalent per month, for a period between 6 months and 10 years, generating 8.1% interest per annum – as well as goal-based deposits for clients and their families to save for specific

Ujjivan Small Finance Bank

India

Ujjivan was founded in 2005 and transformed into a Small Finance Bank in 2017 with the scope of serving its clients base with a complete range of financial services. As of 2019, Ujjivan SFB served 2.3m savers with over EUR 1.2bn in deposits, with over 14,700 staff. 80% of the bank's portfolio still comprises microfinance customers, a majority of which are economically active poor women.

Ujjivan's saving programme aims at building *"Saving and Banking habits among unserved and underserved customers and their families"* by providing saving products combined with financial literacy programs, customer-centric design, accessible and handy technological solutions and consistent customer protection policies. It comprises a flexible and broad range of savings products, delivered either at the doorstep, in branch, or via an extensive ATM and POS network, assisted by various customer support services, and all delivered in combination with an advanced financial education programme.

milestones like children's higher education, marriage, and buying a new home. This product can also be opened in only a few minutes at the client's doorstep.

Innovating to ensure effective delivery of these different products, Ujjivan has focused on four areas: large-scale reskilling of microfinance staff towards banking services; doorstep services through technology deployment (e.g. 8000+ mobile ATMs and digital tools for field staff); multiple services linked to the saving programme (e.g. government subsidies, payments, etc.) and the 24/7 "Digi-buddies" who assist customers in multiple languages in the effective usage of digital channels, including mobile banking, phone banking and SMS banking.

Alongside these products and delivery channels, Ujjivan offers various financial education services, such as the 'Diksha+' training module, to train community women at their doorstep on how to make critical financial decisions, and 'Chillar Bank', aimed at educating children from the age of 11 on planning, family finance, and the importance of savings. This illustrates how Ujjivan's holistic approach comprises a range of products matched to people and purpose, innovative delivery channels, and a focus on encouragement of savings behaviour as well.

Maintaining Savings Services during the Covid-19 Pandemic: Semi-finalists' Responses

The Covid-19 pandemic, and in particular the mitigation measures taken across the world to slow the virus' spread, has posed an unprecedented threat to the financial inclusion sector – a threat which is as complex as it is serious. Institutions have had to close their doors. Small businesses have had to stop trading. Staff and clients need to be protected – from the virus and from financial catastrophe – while institutions across the globe face a liquidity squeeze with clients unable to repay loans yet needing access to deposits on the one side, and maturing debt to funders on the other. Over the course of 2020, the Award evaluation team asked the EMA2020 applicants to tell us about the pressures on themselves and their clients, and some of their responses to these challenges.

The applicants' responses were as diverse as the challenges themselves. Ensuring **continuity of service** to ensure access to basic services was a top priority for many organisations. RENEW describes overcoming the limitations on movement preventing staff visiting centre meetings by calling group leaders and centre leaders to collect savings from their groups, which has resulted in an increase in savings rates during the crisis. Opportunity Bank Serbia stayed open for its clients while implementing health safety precautions, doing so because while credit activity was minimal, some savings clients were in a state of "panic", wanting to withdraw all savings and keep it at home in cash – although weekly reporting shows that long-term term deposits in local currency and with high interest yield was the most stable savings product, due to cost of early withdrawal. Fansoto, too, continued collecting savings at the doorstep while following hygiene protocols and it removed the obligation of minimum deposit amounts during the crisis.

While many clients of several semi-finalists did withdraw deposits, many only did for small amounts for immediate needs, and some MFIs in fact saw modest increases in deposits, highlighting that even in the most difficult circumstances, the perceived value of keeping savings safe remains high.

Some outlined **new products** introduced during the crisis to meet client's urgent needs. Muktinath, like many MFIs, has increased its digitisation efforts, introducing the Muktinath Resurgence Loan with the aim of minimising the impact of Covid-19 crisis. Ujjivan also provided emergency loans and facilitated 70,000 clients receiving US$730,000 via direct benefit transfer for subsidies of utilities and educational fees directly into their Ujjivan savings accounts within just 15 days of lockdown.

Several institutions outlined their **data collection** work during the crisis. Ujjivan conducted research on 100,000 customers' families to understand the impact of Covid-19 within their households, and which revealed that 62% had no income during the lockdown period, and that 25% would need repayment moratoria beyond the three months announced by the Reserve Bank of India. Further, Ujjivan found evidence of significant behavioural change with 25% of customers preferring cashless repayment option for paying their monthly instalments, and there has been a decline in savings account balances as clients use savings for emergency expenses. Mobilink has also seen increased use of mobile channels, with increased self-onboarding for its mobile wallet account.

Operational challenges and changes were common as well. Mobilink describes having to make cost-cutting decisions, digitalising meetings which saved travelling and lodging costs, and encouraging working from home where possible, plus the temporary suspension of some expansion plans. So too was **working closely with funding partners**. RENACA gave examples of various successful requests for assistance made to partners, including from ADA for the purchase of hygiene equipment and products, and ADAPAMI and GIZ, which provided protective equipment.

Such **safety protocols** require not just new funds, but staffing and organisational resources too. DSS Platform supported its susu enterprises with locally-made face masks, sanitisers, infrared thermometers and foot-operated hand-washing stations for their offices, as well as training susu managers and agents on the protocols and correct use of personal protective equipment.

Communicating with clients is important at all times, but never more than during a time of stress, uncertainty and financial hardship – something several applicants emphasised. Buusaa Gonofaa described clients' fears of travelling to bank counters to make deposits (meaning the Dejaf Iqub doorstep solution has become increasingly popular) and has built a communications strategy around phone calls and assurance that clients can still withdraw savings at any time. Fondesurco has also focused on telephone contact with clients, to build peace of mind and reduce panic, which meant that while there was an increased withdrawal of savings during the height of the crisis, it was contained, especially with members with large balance accounts only withdrawing small percentages of their savings. And Ujjivan reports having contacted 4 million customers' families over the phone during the pandemic through a program called "Janata Connect", disseminating information about the virus, and the particular benefits today of digital banking, including mobile banking, SMS banking, missed call banking, digital bill payments, and cashless repayment.

3
ENCOURAGING CLIENTS TO SAVE

"Instruction does much, but encouragement everything"

J.W. von Goethe

The previous two sections present examples of innovations in targeted product design and delivery process. However, the theme of this Award puts first and foremost the idea that the effectiveness and inclusivity of savings is leveraged when positive savings behaviour is *encouraged.* This section will profile several ways that EMA2020 semi-finalists build on new understandings of clients' needs and mental models to mobilise and promote positive savings activity.

RENEW Microfinance Private Limited (RENEW) is an MFI in Bhutan created as a cooperative project between the original non-profit organisation focused on women's empowerment, and the German Savings Banks Foundation, SBFIC. 90% of its savers are women, 90% live in rural areas, only 5% are salaried and 15% are young people under 25 years. Although a small number of these people have savings accounts with a rural development bank as a precondition to accessing loans, most rural Bhutanese keep their money in safe boxes at home.

To encourage its clients to move beyond this habit and to save more proactively and securely, RENEW has developed a savings encouragement model which combines different behavioural approaches, from mandatory financial education to compulsory savings which can only be withdrawn with special approval or by closing the account. But savings are much more than just a pathway to accessing credit for RENEW's clients – fewer than 10% of savers are also borrowers. But for those who are, going through a financial literacy module is a prerequisite to receiving a loan. This includes financial literacy, setting of financial goals, saving methods and techniques, expenditure management, borrowing decisions and budgeting. RENEW has also developed educational videos and Excel forms for income/expense monitoring for its clients.

To encourage clients to save, RENEW offers a variety of simple, convenient and accessible doorstep products. The compulsory component of savings is typically 25% of the total, requires a minimum equivalent of EUR 1 per month, generates 5% per annum interest for the client, and is not used as cash collateral for loans. Rather, it has been designed to teach people to

RENEW Microfinance Private Ltd.
Bhutan

RENEW is an NBFI in Bhutan which was founded in 2011 as a cooperation project between RENEW (Respect, Educate, Nurture, Empower Women), a non-profit organisation dedicated to the empowerment of women (especially who have survived domestic violence) and children in Bhutan, and the Savings Banks Foundation for International Cooperation, Germany (SBFIC).

Bhutan is a highly mountainous area with difficult terrain. In this context, serving rural areas is especially noteworthy. Most of the clients didn't have access to finance due to absence of financial service providers in their vicinity and lack of financial understanding.

RENEW Microfinance started its operation as a non-deposit-taking institution but in 2018 obtained a license to collect savings. As of 2019 RENEW has over 21,000 savers with EUR 1.8m in deposits, and 36 staff. Savings promotion and financial education are integral parts of RENEW's strategy and social goals (empowering women by making them financially literate and independent). Everyone in the community is encouraged to save independently of ages, although the main target population is represented by rural women (vulnerable and often abused) and farmers with volatile income.

save by building the routine of saving regularly, while also seeing those savings grow. The members are also encouraged to save voluntary amounts which range from EUR 0.58 to 34 per month.

RENEW has a strong partnership with SBFIC, which provides RENEW with TA and financial resources. It has digitised its service (including via use of tablets) in order to offer better services and improve operational efficiency In an impact study conducted in 2018, clients reported that RENEW has contributed to increasing their saving capacity and financial literacy. 88% of clients also reported that the main reason for opening an account was to save.

Among the semi-finalists, RENEW particularly exemplifies the importance of high-touch financial education combined with a combination of positive and negative incentives to encourage regular saving behaviour.

RENACA-Bénin – profiled on page 25 – is another institution that demonstrates a clear understanding of the positive and negative incentives that in combination can build the routine and reveal the value to clients of regular savings behaviour. RENACA has conducted extensive analysis of these incentive factors.

Positive incentives include: proximity (which maximises convenience and reduces opportunity and travel costs to clients); cost (RENACA claims to keep its passbook fees, commissions and payment terms at less than a quarter of its competitors'); security (via collection receipts to assist businesses in automatic receipting);

speed (a reduction of processing time of a deposit to under 30 seconds); flexibility (savers who have not deposited over the entire cycle pay only half the commission); and matching of contributions to loan repayments (subscribers who have received loans can match loan repayments to the amount collected periodically).

Factors that *disincentivise* clients from savings include: non-subsidisation of commissions for long-term savings; failing to offer discretionary advances from the tontine in the face of cash-flow struggles; and too high a minimum contribution requirement.

Opportunity Bank Serbia (OBS) is another institution that strongly focuses on understanding the factors that drive people to save (or not) and, while OBS offers a range of savings products, it is one in particular – STASH – which stands out as a way to innovate in products design to incentivise savings behaviour.

STASH has characteristics of both a savings and a credit product. Initially it is an interest-free loan with a term of 12 months. The loan is placed in a 12-month time deposit account. After the clients pay the 12 monthly instalments, they can withdraw the full loan amount with an additional interest of 12.5%. This, OBS claims, is its way of rewarding the clients for their discipline and perseverance and teaching them to put aside equal savings amounts each month.

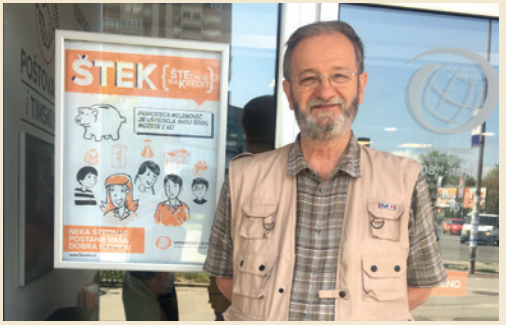
The rationale behind OBS' introduction of STASH was an independent study conducted in Serbia in late 2016 which discovered that only 28% of Serbian citizens would be able to cover an unexpected expense in the amount of EUR 200, 37% would have to sell something or borrow the money, while 26% of citizens claimed they had no means of securing that amount. That means that potentially over two thirds of Serbia's population have no savings.

As of end-2019 STASH was only disbursed in four branches and there were approximately 500 active STASH clients. Around the same time, OBS conducted an online survey of STASH clients, which showed that 48% of clients have never managed to save in the last 10 years. 47% of STASH clients are women and 73% have not previously used any of OBS' products.

Opportunity Bank Serbia

Serbia

OPPORTUNITY Bank Serbia



Opportunity Bank Serbia was originally established in 2002 as Opportunity Savings Bank, targeting underbanked, rural and low-income clients. OBS started offering savings in 2004, and transformed into a commercial Microfinance Bank in 2007. As of 2019 it has over 32,000 savers with EUR 110m in total deposits, and 425 staff. Its savings products offered today include Savings in local RSD and EUR, Demand and Term deposits, standard current accounts and a unique combination of credit and savings called STASH (Save That Cash), targeting clients with low and/or informal incomes.

The aim of STASH is to promote savings habits and show to low income Serbians that they too can save, with a little discipline and support from OBS. STASH is also contributing to creating positive credit records for clients who would otherwise have none.

OBS has developed educational brochures and a special website[4], (in both Serbian and English), with financial advice and steps for everyone who wants to start saving. Educational videos and Excel forms for income/expense monitoring (household budget) are also available.

4 http://www.7koraka.rs/eng/

They come from all age groups, with half between 30 and 50 years of age. 94% of STASH clients took the maximum loan amount (equivalent to EUR 410) and 63% paid their instalments through mobile or electronic banking. Since 2017 only seven clients have closed their STASH account prematurely with 94% of clients giving the highest grade to STASH as a product. And most STASH clients plan to take another STASH facility when their current one expires.

The STASH initiative is part of a larger OBS financial education initiative aimed at improving Serbian citizens' savings habits and educating them about the importance of savings. The initiative is called 'Savings Hopscotch' and teaches people how to save through 7 Steps: Set your goals; Define income and expenses; Separate wants from needs; Determine monthly budget; Go ahead with your plan; Manage seasonal expenses; and Adapt and perfect.

OBS' STASH product exemplifies the opportunity of using interest-free loans to kick-start regular savings behaviour among clients who have never been able to build up useful lump sums in the past, providing a highly attractive return on the savings that repay that interest-free loan, and combining this with an extremely comprehensive financial education initiative that builds savings knowledge and capability to leverage the lessons clients learn from participating in STASH into permanent and positive savings habits.

A generation ago, Serbia was a conflict-ridden country, but no longer. By contrast, **Fansoto** is an MFI in Senegal which helps clients to save in what today is still one of the most challenging contexts of all, in a region that has seen decades of armed conflict. Its savings programme is mainly located in the districts of Ziguinchor and Bignona, where thousands of displaced people from the armed conflict have found shelter. As a result, Fansoto's outreach is also to particularly vulnerable groups: 99% of savers are women, 20% live in isolated rural areas, 40% are without previous access to credit and 11% are under 25 years old.

Fansoto's village banking programme consists of an individual demand deposit account, called *Inawona* ('it's possible'), created for each beneficiary within

Fansoto
Senegal

Fansoto is an MFI in Senegal established in 2016. As of 2019, Fansoto has over 9,700 total savers, with almost EUR 300,000 in total deposits, serviced by 43 staff.

Fansoto operates, with the support of Entrepreneurs du Monde (EdM), in the municipality of Ziguinchor, in Casamance, a region battered by an armed conflict for more than 30 years. The microfinance institution aims at serving a very poor segment of the population, with specific focus on women, by providing traditional village banking coupled with non-financial services.

Since inception, Fansoto has been providing financial education services, and training on household budget management and savings. Each new beneficiary entering the program receives a set of six initial awareness modules (proper management of credit, encouraging savings, beneficiaries' rights and duties, etc.). Fansoto has also developed an annual training plan, specifically designed to address an illiterate audience, including modules on economic empowerment, separation of household and business budgets, among others.

its savings groups. The members meet every two weeks or monthly, and each is required to deposit a minimum amount of approximately EUR 0.70. The service is deployed at the clients' doorstep, there are no entry fees and the savings generate 2% per annum in interest. Each client can independently decide to deposit more, and no withdrawal fees are charged. Like RENEW, presented previously in this section, the mandatory minimum component of the savings is designed primarily to encourage habitual small savings behaviour, combined with giving clients flexibility to then save more on top, and also to give opportunities for clients to access other Fansoto services, including loans. As of end-2019, over 9,500 households were involved in this savings initiative, and a June 2019 survey revealed 97% of clients appreciated it, and 99% found it easy to access.

But encouraging active and regular savings is not just about product design and delivery. Like several others in this section, Fansoto focuses heavily on financial education. Household budget management and savings are included in the six initial financial awareness modules that all new clients receive, supplemented by bi-monthly meetings specifically on economic, social or agriculture themes that help rural households earn and save.

Besides RENEW, RENACA, OBS and Fansoto, many of the other Award semi-finalists have their own education or capability initiatives that provide a pathway for encouraging, nudging or otherwise incentivising positive savings habits among their clients.

Ujjivan – profiled on page 28 – puts financial literacy programmes at the centre of its initiatives to mobilise savings. These are delivered through the Parinaam Foundation, a sister organisation of Ujjivan, through which Ujjivan is able to support over 100,000 women from 24 Indian states. Ujjivan has a unique in-classroom teaching module called "Diksha+", which aims to train community women at their doorstep with an eight-hour training course spanning four weeks. It is designed to give ample time for women to think, discuss, and make critical financial decisions in a supportive and confidence environment. Through this program, there has been a shift in the way these women perceive the value of banking and their financial habits through savings schemes have become more robust.

Ujjivan also has a program called 'Chillar Bank' designed specifically for children, to give them a better early-years understanding of planning, family finance, and the importance of saving from the age of 11 . Every year, over 160,000 children are trained through this program. Further, Ujjivan produced a film, 'Paison Ki ABCD', which aims at providing mass education on the advantages of savings in formal channels such as banks.

DSS Platform – profiled on page 26 **–** provides savings-related non-financial services through its DSS Ecosystem for susu enterprises, and has established a Customer Business Club (CBC) for the susu enterprises it serves. The CBC focuses on building the capacity of end-customers to manage their businesses profitably, and the use of other financial services like investing, pensions and insurance. Two out of their five planned training centres have been completed with over 180 customers having signed up for training at these facilities as of end-2019.

Fondesurco – profiled on page 21 **–** uses various channels to promote savings behaviour via financial education – from radio to social networks and printed materials, as well as in-person sessions at festivals and training schools for Fondesurco members. Almost 4,000 members received training in 2019. The cooperative also encourages savings by providing to its members the opportunity to receive payments for their milk product sales straight into their accounts, banking their income immediately and building up a history that facilitates access to credit and other financial products and services in the future.

Finally, **Mobilink** – profiled on page 27 – has collaborated since 2017 with the National Financial Literacy Program, in partnership with the State Bank of Pakistan, on various financial literacy themes, including budgeting, savings, investments, debt management, consumers' rights and obligations, Islamic banking and branchless banking. On the product development side, in response to research revealing clients' lack of perceived value in opening a mobile wallet or savings account, and pre-existing trust barriers regarding

mobile banking, Mobilink incentivises clients' savings habits through rewards, including free GSM minutes, mobile data and partner discounts. Furthermore, it has introduced more features to its Bachat regular savings account and goal-based term deposit facility – from biometric verification, which allows increased withdrawal and deposit limits, to introduction of Visa-powered debit cards and a smartphone App to make saving easier and more attractive.

How Regulators can Encourage a Culture of Savings

By: Toronto Centre for Global Leadership in Financial Supervision

Financial inclusion has increasingly become an internationally accepted goal that has been proven to build important social safety nets and improve standards of living. Financial inclusion is now included in the mandate of many regulators in developing countries, and as a result, measures to encourage and facilitate more broad-based participation in the financial sector have been implemented. This in turn contributes to economic growth, financial stability, and poverty reduction (including supporting the UN SDGs). Mobilising savings policies, particularly those that support linkages to the informal sector, can help advance this mandate.

Regulators are uniquely positioned to educate consumers, through financial literacy campaigns on the importance of and ways to access savings products that are tailored to low-income and rural populations – such as digitally accessible savings accounts, e-wallets, and interest-bearing accounts. Regulators can also play a role in encouraging participation in savings groups and lowering the KYC requirements for small savers.

Moreover, the acceleration of digital financial services (DFS) is making it more practical for institutions, both formal and informal, to offer affordable and flexible digital savings products to all citizens. Supervisors and regulators are working with multi-stakeholders such as governments, FSPs and mobile operators to proactively strengthen the digital financial literacy level of consumers to help protect them against cybercrimes, and to build financial resilience through digital savings.

How is all this happening? Here are three different examples of regulators' initiatives to promote a culture of savings:

1. The Central Bank of Zambia (BOZ): Bridging informal to formal finance/savings

In its 2020-2023 Strategic Plan, the Central Bank of Zambia (BOZ) committed to contributing to increased penetration of rural finance, recognising the important role that informal financial services play in financial inclusion. Rural banking systems/savings groups are a proven first step to accessing formal savings and other financial services. The BOZ recently released a policy statement and guidance[5] reiterating its support for village savings groups. Similar initiatives have also been taken by other governments and regulators in China, India, Kenya, Pakistan, Uganda, and Latin America – including the use of agent and mobile banking, but the area of policy reform remains underdeveloped.

2. The Central Bank of Nigeria (CBN): Tiered KYC to allow low-value account openings with fewer restrictions and updated framework to allow licensing of telecoms

In 2013, CBN introduced a tiered/risk-based KYC framework[6] and tailored financial literacy programs to ensure that financially disadvantaged people are not precluded from opening accounts due to lack of identification. The framework also allows people to participate in the financial sector through savings to receive higher returns than 'under the mattress' cash for emergencies or unforeseen expenses – particularly relevant during the current Covid-19 context.

With the goals of erasing distances and encouraging financial inclusion through digitalisation, CBN updated its framework in 2019 to allow the licensing of mobile money operators. This enabled wider availability of digital currency, making it easier for people to save. CBN uses tiered KYC, AML, and cybersecurity frameworks to manage the risks of this new model.

3. Regulators globally: Promote financial literacy to cultivate the habit of savings

Developing positive savings habits is not easy, especially in low-income and rural populations with low financial literacy. In view of this, each year, many regulators organise banks and other FSPs to participate in various financial literacy campaigns. For example, in 2019, one such event supported by the Central Bank of Uganda was World Savings Day[7]. This annual celebration helps sensitise and promote a culture of savings to enhance economic prosperity and alleviate poverty. The activities focus on educating not only adults, but also youth. Banks and other FSPs showcase their products and services with a focus on savings.

Savings is an important enabler of financial inclusion and stability. Regulators can encourage a culture of savings by introducing risk-based policies that incorporate the principle of proportionality to facilitate easier access to affordable and flexible savings products, and more importantly, educate the public – particularly women and girls.

Since its establishment in 1998, Toronto Centre has trained more than 13,000 financial regulators from 190 jurisdictions worldwide to enhance their supervisory capacity, including the promotion of financial inclusion, and by extension contribute to financial stability. Toronto Centre strongly believes that its mission to help build the capacity of regulators to promote inclusive sustainable growth, proper market conduct, and consumer protection contributes to an enabling environment that tackles poverty reduction.

5 https://www.boz.zm/press_statement_on_village_banking_savings_groups.pdf

6 https://www.cbn.gov.ng/out/2013/ccd/3%20tiered%20kyc%20requirements.pdf

7 https://www.facebook.com/CentralBankofUganda/videos/promo-world-savings-day/1404298906413343/

FACTORS FOR SUCCESS

"By three methods we may learn wisdom: First, by reflection, which is noblest; Second, by imitation, which is easiest; and third by experience, which is the bitterest"

Confucius

More so than other recent editions of the European Microfinance Award, with their specific and narrower focus – Housing, Technology or Access to Education among them – Savings is an extremely broad topic. It weaves together elements of product innovation, behavioural economics, technology, and the re-purposing of traditional models alongside experimenting with new ones. It is hardly surprising then that from a record field of applicants would emerge a rich tapestry of initiatives that reveal a picture of a sector embracing the opportunities savings can offer.

But for the same reason, extracting common factors for success from such a heterogeneous list is a challenge. What works in Sub-Saharan Africa will be different from a programme in South Asia. Working with solidarity groups will be vastly different from providing e-wallets. A regulated bank will have different limitations and advantages than a FinTech or a cooperative or an MFI.

Nevertheless, the breadth of material provided by so many applicants yields valuable insight into what actually makes an initiative succeed – regardless of the context.

First and perhaps foremost, successful providers genuinely **understand their clients**, their needs, and what drives their financial decisions. This may be done through surveys, via partners or in-house, and may be quantitative or qualitative in form. In any case, it means starting with a blank page, and without preconceived or paternalistic notions of what's best. Successful providers listen – and engage.

They then take this understanding and translate it into **product design and development** – offering a range of products that are **matched to particular purposes**, with terms, channels and communication appropriate for those purposes. There are many examples of this in this paper – education savings accounts, goal-based accounts, retirement savings and emergency savings facilities, to name just a few. But the goal of making a savings product purpose-driven must never be at the expense of another crucial characteristic – the product's **simplicity and ease of use**.

But while being matched to purpose may be necessary, but it's not sufficient. These products must also be **matched to the person**. Who is the client who will use it – and what do they need when saving? Again – the organisations in this paper do this in various ways, with accounts specifically for children, smallholders, market traders and migrant workers offering just a handful of examples.

Successful mobilisers of savings will virtually always complement the savings product with non-financial support, notably **financial education**, which can be delivered by handbooks, in-person modules, videos or basic business accounting templates. Whatever the delivery and the content, effective programmes will always be engaging, integrated with usage of savings products, and appropriate for an audience that may feel intimidated or simply bored in a traditional learning environment.

The delivery of financial education can naturally inform

an understanding of the mental models behind people's financial decisions – what encourages savings and when and why? What might be a barrier? Successful providers not only always try to better understand these decision-making rubrics, but then **communicate with clients** in a way that builds on it as well – incorporating concepts of convenience, temptation-avoidance, routine, and timing.

They may also think about how to take this understanding of how to encourage positive savings behaviour and translate it into concrete savings **incentives**. There are several examples in this page of how providers can do this, from offering free airtime minutes as rewards, to generous interest on savings balances or access to other financial products such as insurance and credit. By the same token, they should understand the other ways formal savings can be incentivised – for example through the **security of savings** – one of the main rationales for savings groups linked to formal financial institutions, in contrast to the real risks of under-the-mattress equivalents. Moreover, incentives for clients are not enough – successful savings providers also ensure appropriate incentives to staff so that savings are a key product and not just an after-thought.

These providers may also think about how to innovate in the **delivery of savings products and services** – what are the channels that can overcome barriers and maximise convenience and opportunity for a client? The examples just among the semi-finalists in this paper include mobile ATMs, smart or debit cards, e-wallets, POS terminals, doorstep collections and rural facilities for staff and agents to work in remote areas. They may be supplemented by high-touch **client relationship management** as well, from visits to phone calls that add real value for the client. And delivery includes not just access and contact but convenience of uptake and usage as well – how quickly can an account be opened? What KYC data may be simplified in order to do so?

There is one area in which actually very few institutions succeed – and that is **accessibility of contracts or other legal materials**. With a couple of exceptions, very few organisations in this process present contracts to clients that are really appropriate and fit for purpose. Too often, they are replete with dense legalese – designed, to put it another way, to be *signed* rather than actually *read*. For institutions that claim to focus on inclusion and access, and which often serve clients with low literacy and seldom any legal background, this is an important area where sector-wide standard-setting could really be valuable.

Finally, if they don't have to, successful providers **shouldn't reinvent the wheel**. Many of the institutions in this paper recognise the real value of traditional, informal savings practices and adapt them to modern knowledge, needs and technologies. We may be living through an age of 'disruptive' technologies, but the downside is in the name itself. 'Disrupting' lives is not the goal here; providing valuable savings services to under-served clients is. Building on what is already known and valued within a community can be a good starting point in encouraging effective and inclusive savings.

ABOUT THE EUROPEAN MICROFINANCE AWARD

The European Microfinance Award is a prestigious annual award with €100,000 for the winner and € 10,000 for the runners-up, which attracts applications from organisations active in financial services around the world that are innovating in a particular area of financial inclusion. The Award was launched in 2005 by the Luxembourg Ministry of Foreign and European Affairs – Directorate for Development Cooperation and Humanitarian Affairs and is jointly organised by the Luxembourg Ministry of Foreign and European Affairs, the European Microfinance Platform (e-MFP) and the Inclusive Finance Network Luxembourg, in cooperation with the European Investment Bank. It serves two parallel goals: rewarding excellence and collecting and disseminating the most relevant practices for replication by others.

Previous editions addressed the following subjects:

- **2019, Strengthening Resilience to Climate Change**

How can FSPs provide products and services to increase the resilience of vulnerable populations (and the institutions themselves) to climate change?

Winner: APA Insurance Ltd (Kenya), for its index-based livestock and area yield insurance products for farmers

- **2018, Financial Inclusion through Technology**

How can FSPs leverage technology innovations to improve efficiencies and service quality and increase outreach to new, excluded populations?

Winner: Advans Côte d'Ivoire (Ivory Coast), for its digital savings and payment solutions for cocoa farmers and cooperatives, and their small digital school loans for farmers

- **2017, Microfinance for Housing**

Can MFIs respond to the complex housing needs of low income and vulnerable populations, helping them access better quality residential housing?

Winner: Cooperativa Tosepantomin, for its holistic housing programme serving rural communities and promoting environmental responsibility.

- **2016, Microfinance and Access to Education**

How can MFIs increase access to education for children, or provide skills training for youth and adults to enhance their employment and self-employment opportunities?

Winner: Kashf Foundation (Pakistan), for its programme to serve low-cost private schools.

- **2015, Microfinance in Post-disaster, Post-conflict Areas & Fragile States**

What can MFIs do in order to operate in exceptionally difficult environments and circumstances, helping increase the resilience of the affected communities?

Winner: Crédit Rural de Guinée S.A (Guinea), for its innovative response to the Ebola outbreak in Guinea

- **2014, Microfinance and the Environment**

Is it possible to integrate environmental governance into the DNA of MFIs and promote initiatives to improve environmental sustainability?

Winner: Kompanion (Kyrgyzstan), for its Pasture Land Management Training Initiative

- **2012, Microfinance for Food Security**

Which microfinance initiatives contribute to improving food production and distribution conditions in developing countries?

Winner: ASKI (The Philippines), for serving smallholder farmers and fostering effective market linkages

- **2010, Value Chain Finance**

What are the outstanding microfinance initiatives in productive value chain schemes?

Winner: Harbu (Ethiopia), for an initiative financing a soybean value chain

- **2008, Socially Responsible Microfinance**

What innovative initiatives can MFIs undertake to promote, measure and increase the social performance of their activities?

Winner: Buusaa Gonofaa (Ethiopia), for the development of its client assessment system

- **2006, Innovation for Outreach**

What are breakthrough initiatives within microfinance that deepen or broaden rural outreach?

Winner: The Zakoura Foundation (Morocco), for its programme on rural tourism

Selection Committee Members

Organisation	Judge(s)[8]
ADA	Luc Vandeweerd, Axel de Ville
Agence Française du Développement (AFD)	Pauline Angoso, Baptiste Ducruix
Arendt & Medernach	Anne Contreras, Laetitia Duren, Thibaut Riscatto, Corentin Gata
BRS	Kurt Van den Neste
CARE International UK	Nancy Thomas, Ajaz Khan
CITI Inclusive Finance	Eugene Amusin
European Investment Fund (EIF)	Per-Erik Eriksson
Finance in Motion	Isabelle Delas
Incofin	Geert Peetermans, Noémie Renier
Inpulse	Nicolas Blondeau
Luxembourg House of Financial Technology (LHoFT)	Manon Loison
Luxembourg Microfinance and Development Fund (LMDF)	Apricot Wilson
Luxembourg Ministry of Foreign and European Affairs (MAEE)	Thomas Lammar, Paul Weber
MFR	Ayako Iba
MicroSave Consulting (MSC)	Nitish Narain
Social Performance Task Force (SPTF)	Jürgen Hammer
Sparkassenstiftung für internationale Kooperation	Ilonka Rühle-Stern
The Luxembourg Bankers' Association (ABBL)	Catherine Bourin
University of Bath	Aurélie Larquemin

8 While some organisations had more than one judge reviewing applications, each organisation had only one voice and vote at the Selection Committee meeting.

ORGANISERS OF THE EUROPEAN MICROFINANCE AWARD

Luxembourg Ministry of Foreign and European Affairs

Directorate for Development Cooperation and Humanitarian Affairs

https://cooperation.gouvernement.lu

The inclusive finance sector has been actively supported by Luxembourg's Directorate for Development Cooperation and Humanitarian Affairs of the Ministry of Foreign and European Affairs over the last 20 years. The Ministry works closely with civil society stakeholders and networks specialised in microfinance to fund conceptual innovation, research and the development of new tools as well as political action in national and international fora, by focusing particularly on integrating the most vulnerable into the financial inclusion sector. Long-term commitment and strategic support have led to Luxembourg being globally recognised as a centre for financial inclusion.

LUXEMBOURG AID & DEVELOPMENT

The European Microfinance Platform

www.e-mfp.eu

The European Microfinance Platform (e-MFP) is the leading network of European organisations and individuals active in the microfinance/financial inclusion sector in developing countries. It numbers over 130 members from all geographic regions and specialisations of the microfinance community, including consultants & support service providers, investors, FSPs, multilateral & national development agencies, NGOs and researchers.

Up to two billion people remain financially excluded. To address this, the Platform seeks to promote co-operation, dialogue and innovation among these diverse stakeholders working in developing countries. e-MFP fosters activities which increase global access to affordable, quality sustainable and inclusive financial services for the un(der)banked by driving knowledge-sharing, partnership development and innovation.

EUROPEAN MICROFINANCE PLATFORM
NETWORKING WITH THE SOUTH

Inclusive Finance Network Luxembourg

www.InFiNe.lu

The Inclusive Finance Network Luxembourg Asbl (InFiNe.lu) was created in March 2014 and is supported by the Luxembourg Ministry of Foreign and European Affairs – Directorate for Development Cooperation and Humanitarian Affairs. The uniqueness of InFiNe.lu is to bring together key stakeholders from the public, private and civil society sector in Luxembourg around the common objective of promoting financial inclusion.
The network includes 30 members. InFiNe.lu aims to develop knowledge and expertise by stimulating exchange and collaboration amongst its members and capitalises on Luxembourg's leading position in the financial and development sectors.

InFiNe
Inclusive Finance Network
Luxembourg

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www.e-mfp.eu

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