

 **SGG2018**

**THE POWER OF SAVINGS GROUPS
INCLUSION. RESILIENCE. EMPOWERMENT.
KIGALI, RWANDA | MAY 22-24**

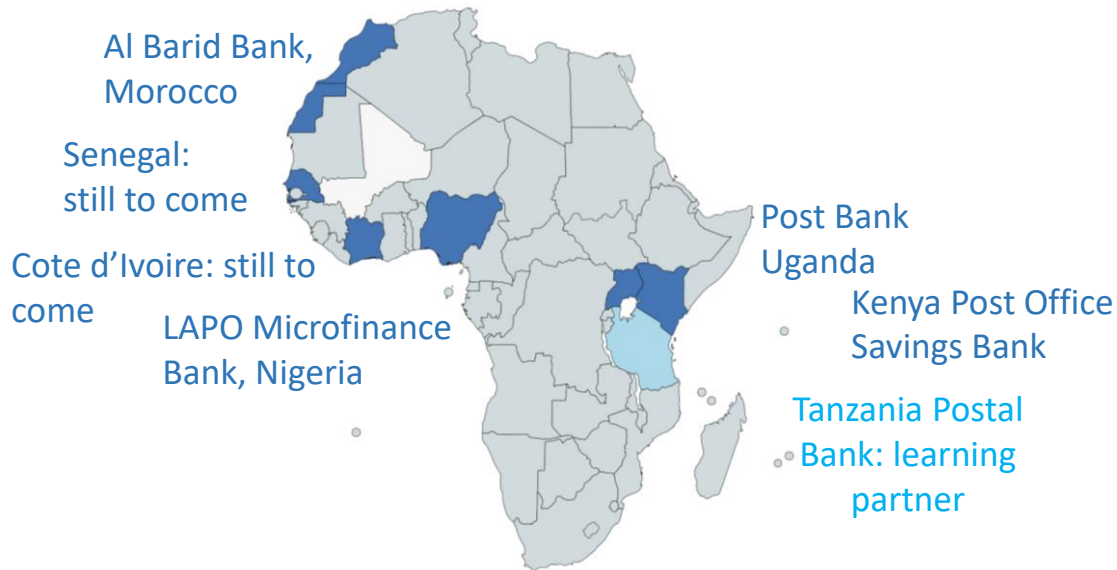
Convened by THE SEEP NETWORK

**Making Small Scale Savings Work with
Linkage Banking**
Peer Learning Session

23 May 2018

MAKING SMALL SCALE SAVINGS WORK - @MTripleSW

To establish the viability of small-scale savings accounts



Potential partners:

Cote d'Ivoire

- Advans Bank
- CNCE

Senegal

- Cofina
- YUP (SocGen)

Nigeria

- First Bank
- FCMB



At a glance



Components

- Assistance to banks to develop savings services
- Conduct research and share lessons
- Communicate learnings to the wider sector
- Assess impact

Supply Side Scenarios (USD/per customer/month)

Account type	Benchmark	SG group deposit account	SG and individual deposit accounts			
Scenarios	1	2	3	4	5	
Account Characteristics	Individual savings account with bank	Members contribute cash. SG deposits cash in branch-based group account. No individual accounts.	Members contribute cash. SG deposits cash in branch-based group account. Individual accounts.	Members in cash. SG transfers to group bank account using e-money. Individual accounts.	Members transfer e-money to group -wallet. SG transfers e-money to group bank account. Individual accounts.	
A	Average balance in account	\$93,75	\$266,80	\$757,16	??	??
B	Fees earned from transactions	\$1,03	\$0,15	\$0,38	??	??
C	Bank cost to support those Transactions (-)	\$1,58	\$5,05	\$5,38	??	??
D	Net transaction margin (Fee revenue – cost)	-\$0,54	-\$4,90	-\$5,00	??	??
E	Net float income (float revenue – interest paid)	\$1,09	\$3,21	\$8,34	??	??
F	NET CONTRIBUTION MARGIN	\$0,55	-\$1,69	\$3,94	\$6,06	\$6,17
G	Acquisition cost/ retention cost per customer (-)	\$2,71	??	??	??	??
H	NCM after customer acquisition/retention costs	-\$2,16	??	??	??	??

Source: BFA/ BMGF Focus Note 2: SG Linkages – The Business Case for Private Service Providers



A fully digital scenario is likely to double monthly profits for the bank. But is it still the same when looking at it from a group member's perspective?

	Account type	SG group deposit account	SG and individual deposit accounts		
	Linkage Scenarios	1	2	3	4
	Account Characteristics	Members contribute cash. SG deposits cash in branch-based group account. No individual accounts.	Members contribute cash. SG deposits cash in branch-based group account. Individual accounts.	Members contribute cash. SG transfers to group bank account using e-money. Individual accounts.	Members transfer e-money to group - wallet. SG transfers e-money to group bank account. Individual accounts.
A	Quantitative Net Monthly Benefits to customer	\$0,11	\$0,20	\$0,08	-\$0,28
B	Qualitative benefits to the customer	<ul style="list-style-type: none"> Cash remains accessible in lock box Access to bank products and procedures 	<ul style="list-style-type: none"> Cash remains accessible in lock box Access to bank products Members able to save for periods longer than the group cycle 	<ul style="list-style-type: none"> Members do not have to pay individual mobile money fees SG can track balance frequently, and deposit and withdraw as needed. Safety of the group funds 	<ul style="list-style-type: none"> Members can digitally opt to save share-outs after the end of cycle. Access to a range of formal financial products based on individual financial records Members and SGs can track balances at any time
C	Qualitative costs to the customer	<ul style="list-style-type: none"> No digital record of transactions. Group members cannot save longer than a year. Costly to physically deposit cash on a regular basis (time, fees, travel costs, safety) 		<ul style="list-style-type: none"> Group members do not establish individual financial records. Process less transparent for members who are m-illiterate. 	<ul style="list-style-type: none"> Members have to pay individual mobile money fees May take time for new members to learn how to utilize m-banking. Members without mobile phones may feel marginalized.



Customers have – in the short term - a clear disincentive to operate in a fully digitized scenario. The ability to establish a financial history might lead to a trade off in costs in the mid/long-term.

Group 1:

Fully digital also means that people who are less m—literate feel marginalized



**Debate from an NGO perspective who should be responsible for the education support to the groups
(Group Discussion Lead: Amy)**

Group 2:

Interoperability for groups to use any MNO/any Bank could help bring down costs to the customer and help improve uptake and acceptance of group members



**Debate from a FSP perspective what that means for the business case
(Group Discussion Lead: Geraldine)**