

Identifying Strategies to Stimulate Sustainable Client Savings

Innovative Research in Uganda Integrates Business Analysis with Human-Centered Design

The Challenge - Savings in Africa

Since 2003, Opportunity has offered diverse clients in Africa the opportunity to save for long-term goals and to provide a safety net in case of emergencies. As of December 2015, 1.7 million clients in Africa held Opportunity savings accounts. However, the average balances in these savings accounts was lower than Opportunity hoped, and around one quarter of these accounts were not active. These challenges are common in the financial inclusion community as a whole. Not enough clients are experiencing the full benefits of savings and saving accounts are costly for Opportunity to manage – threatening the sustainability of savings services for the poor.

Research Objectives and Process: In 2015, Opportunity in Uganda partnered with Bankable Frontiers Associates (BFA), a global expert in savings innovations, to better understand our clients who want to save and how Opportunity can serve them better – while keeping costs at a sustainable level. The exercise integrated financial and transaction analysis with human centered design, engaging clients and staff in identifying strategies.

Key Research Findings:

- **For Financial Inclusion:** Clients experience seasonal cash-flow, making it hard to maintain steady, high balances; they need savings incentives that match their ability to save at different times of the year. In addition, clients that borrow from Opportunity mainly use their savings accounts to build up cash for loan payments; clients need better information and clear financial education to develop an appropriate savings strategy and to open the right accounts that will offer them the best rewards as they achieve their savings goals.
- **For Financial Institutions:** To better understand how to stimulate sustainable savings, clients should be segmented and analyzed according to their behavior, not their demographics. With careful transaction and cost analysis, financial institutions can understand the balance and transaction levels that will support sustainable savings operations. With this information, financial institutions can identify promising client segments, and – using human centered design – tailor aligned incentives to the right clients, group leaders, and staff.

RESEARCH CONTEXT

The financial inclusion community is experiencing a common challenge: many savings accounts, little savings. In Uganda specifically, 75% of the population saves, but only 17% save in formal financial institutions. The rest save with informal groups or individuals (37%), or in cash or physical assets like livestock. Access to accounts in Uganda has doubled since 2011, but savings accounts have not.¹

OPPORTUNITY SAVINGS INNOVATIONS

Since 2003, Opportunity has devised and tested innovative saving services in Africa with support from significant donors, including the MasterCard Foundation, the John Deere Foundation, and the Caterpillar Foundation. Opportunity offers diverse savings accounts for different client objectives – a safe place to store cash for regular cash-flow or emergencies, a way to build up capital as security for higher loan amounts, a long-term investment, or a specific target such as an educational or agricultural investment. These accounts offer interest and incentives for maintaining minimum balances or reaching a target savings level in an agreed period of time, and certain accounts even include insurance in case of a clients' ill health or death. Clients can make deposits or withdrawals through multiple channels including – in most countries – mobile money, ATMs, branch or mobile banking vans, and in-person groups.

As of December 2015, 1.7 million clients in Africa held Opportunity savings accounts. However, the average balances in these savings accounts was lower than Opportunity hoped, and around one quarter of these accounts were not active. These challenges are common in the financial inclusion community as a whole. Not enough clients are experiencing the full benefits of savings, and saving accounts are costly for Opportunity to manage – threatening the sustainability of savings services for the poor. This research combines financial

¹ World Bank, 2014

analysis with human-centered design to offer new insights for how to stimulate sustainable savings among microfinance clients who want to save, in order to achieve better economic security.

KEY RESEARCH QUESTIONS AND INSIGHTS

Which clients want to save, can save, but are not saving enough?

The vast majority (98%) of voluntary savings accounts with Opportunity in Uganda are “ordinary” – that is, not offering special incentives for reaching savings goals. Transaction analysis revealed that over half (61%) are saving but not steadily maintaining the minimum balance required to earn interest. Instead, they use savings quickly to make loan payments and pay other bills.

- **Insight:** Active clients primarily use their savings accounts as a convenient way to pay loans.

What savings balances and transactions are needed to cover the cost of a savings account?

Cost analysis concluded that only one type of savings behavior can be sustained by Opportunity over time, with current costs: “high savers with low transactions.” It is not enough to maintain a “high” balance, because the average “high” balance is still not high enough to cover the cost of many transactions.

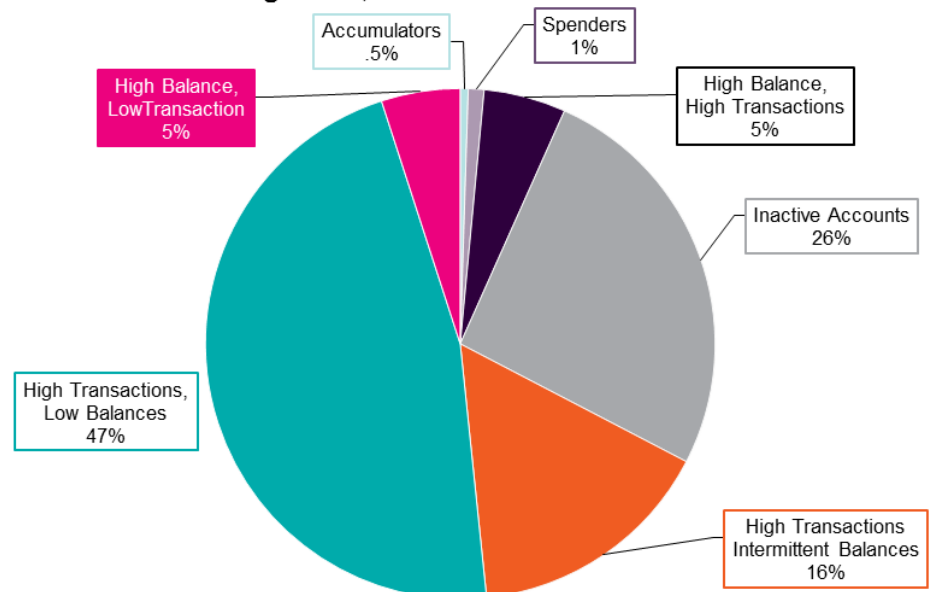
- **Insight:** Opportunity needs to help clients to save more, but also to reduce cost of savings transactions.

What changes in savings policies and delivery are recommended to stimulate sustainable savings?

After creative brainstorming with active saving clients and staff, several key recommendations were made to Opportunity Uganda management: 1) Improve communication and client education about savings, and encourage clients to use specialized Opportunity savings accounts that offer better interest and rewards (i.e. EduSave and AgroSave). 2) Provide clients with tangible, immediate, and visible rewards for saving. 3) Offer staff and group leaders incentives that are aligned with the target balance amounts for sustainability. 4) Encourage use of mobile money to reduce cost. 5) Strengthen technology-based platforms for marketing, savings education, and motivating clients to save.

- **Insight:** To stimulate sustainable client savings, client-facing changes need to be combined with internal process improvements – staff training and incentives, strengthening of technology-based transaction and communication platforms, and assigning clear leadership for savings services. These specific changes can be driven by rigorous transaction and cost analysis combined with recommendations emerging from human-centered design.

Client Segments, Based on Transaction Behavior



This study shows Opportunity’s strengths in:

- **Innovation and Learning** – Opportunity employed leading research tools to learn how to improve savings services for clients and enhance sustainability of savings service delivery at the same time.
- **Client Understanding** – Maintaining steady savings balances is hard for most self-employed or farming clients because income is typically seasonal, with highest income between October and December.
- **Sustainability** – Using savings transaction and cost data, Opportunity identified clients who are ready to save, the level of balance that supports cost-recovery, and the need to reduce costs.
- **Global influence** – By partnering with a global leader in financial inclusion (BFA) Opportunity contributed to the global knowledge base on sustainable savings for the poor.