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SPEAKERS CORNER

Making Savings Work for the Poor

Synthesis Report

This three-day online discussion forum brought together 132 participants to discuss their experiences and ideas related to microsavings for the poor.

Speakers Corners are online discussions hosted by subject matter experts, designed to help practitioners share and learn from each other. They are hosted on Microlinks at microlinks.kdid.org.

U.S. Agency for International Development
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Below is a summary of key themes and lessons learned from the "Making Savings Work for the Poor: What We Know, What We Don't, and Where We're Headed," hosted by USAID's Microenterprise and Private Enterprise Promotion office that took place June 5-7, 2012. The full discussion is available here.

Discussion on Microsavings for the Poor

In this discussion, participants offered best practices, questions, and challenges using both practical examples and technical expertise to inform the discussion.

- *132 participants*
- *97 discussion posts*
- *10 new resources*
- *43 countries visited*

Highlights of major themes:

1. Challenging current assumptions
2. Determining client needs
3. Building in sustainability
4. Considering innovations and shortfalls in formal and informal savings
5. Increasing collaboration before committing resources

A total of 132 people participated in the Speakers Corner. From this group, 35 people submitted 97 discussion posts and 10 additional resources. From June 1-20, this discussion was viewed by 3,312 people from 43 countries. Participants offered best practices, questions, and challenges using both practical examples and technical expertise to inform the discussion.

JULY 2012

This document was produced for review by the support of the U.S. Agency for International Development (USAID) under the Knowledge-Driven Microenterprise Development (KDMD) project, implemented by the QED Group, LLC. The views and opinions expressed by the participants in the discussion and in this report were their own and may not necessarily reflect the views of USAID.

CHALLENGING COMMON ASSUMPTIONS

On Day 1, participants discussed some common assumptions around microsavings. The main topics that arose were challenging the tendency to identify a common definition of savings, distinguishing between product access and client usage, and recognizing gaps in available data on savings among the poor.

Who are the poor?

There are "income poor, the very poor/food poor, poor people who are on their way out of poverty, those on their way in, the chronically poor, minority/excluded social groups and so on."

--Andrew Shepard,
Overseas Development Institute

Participants stated that there cannot be one definition or one mechanism to encourage savings because "the poor" is not an undifferentiated mass. As Andrew Shepherd of the Overseas Development Institute mentioned, there are "income poor, the very poor/food poor, poor people who are on their way out of poverty, those on their way in, the chronically poor, minority/excluded social groups and so on." Therefore, there needs to be diversity in services, products and delivery channels to fit varied needs of various segments of the poor. For instance, Jeff Ashe, Oxfam, suggested expanding the savings groups to the U.S. to serve the poorest of the poor, who "do not need more debt but need to save and develop reserves." Ashe suggested learning from ROSCAS that have been used by the immigrant groups in the U.S. Nickie Fluehr-Lobban, of Freedom from Hunger, stated that it might not be possible or productive to have one definition of savings due to such diversity among consumers and a tighter definition might result in limited products and services for the poor.

Participants pointed out the importance of distinguishing between product access and client usage. If services are made accessible, it does not necessarily mean that they will be used. Very often, clients are not aware of the benefits of microsavings or do not trust the providers with their money. Menika Mhlongo, of the Small Enterprise Foundation in South Africa, mentioned that often organizations consider their interest before the interest of their clients. She said that sometimes clients are reluctant to save because they are skeptical of the organizations' intent. Trust, consumer education, and protection are equally important for successful uptake.

Finally, practitioners mentioned that a large proportion of clients benefit from a social and financial perspective of participating in savings groups. Participants agreed it would be interesting to see data that analyzes both perspectives of the savings groups. Margie Brand gave an example of USAID's STRIVE project, managed by Save the Children, in Mozambique. The project analyzes and compares social capital acquisition between savings groups and rotating labor schemes. It also developed a Social Capital Index. Ashe

Sample of Countries Represented*

Ethiopia	*Bolivia*
Egypt	*Namibia*
Canada	*Ghana*
Philippines	*Kyrgyzstan*
Burundi	*Belgium*
Guatemala	*Senegal*
India	*Uzbekistan*

**Of those who registered for this discussion, 43 countries were represented.*

agreed with Brand on the importance of social capital. He listed successful savings groups in Mali where clients noted solidarity, mutual assistance, malaria treatment and prevention training as primary reasons for joining the group. Participants noted that the availability of additional data on this subject would be interesting to analyze). Ultimately, the social capital component of savings can help raise awareness and usage of these services.

Although the first day provided a number of useful insights, some outstanding questions and challenges remain. Given the explosion of ICT, the need to consider the poor is even greater. Participants highlighted the importance of a cost-benefit analysis when incorporating technology into savings. A debate also surfaced on whether or not savings has intrinsic value. Aishwarya Ratan, who presented at the After Hours Seminar on May 16, mentioned that savings by itself achieve nothing and that savings need to translate into assets or other expenditure items. Jon Thiele, of Women for Women International, disagreed with this statement and said that we should not use "maximizing yield" as the main success factor because "savings have tremendous intrinsic value."

Finally, Carlos Alborta, of the International Fund for Agricultural Development in Bolivia, asked how we can address legal barriers that often stand in the way of deposit mobilization. International banking expert Klaus Lehrke agreed that he faces a similar challenge in his work in the Kyrgyz Republic on setting up deposit taking for credit unions.

DETERMINING CLIENTS' NEEDS

Another theme that was addressed was how to source clients' insights and integrate them into effective product design with the help of traditional and innovative market research processes. Mennonite Economic Development Associates' (MEDA) work in design research in Pakistan, which uses both a "human experience driven model" and "data driven models," and CARD bank in Philippines, which has employed data mining to detect clients' financial behaviors, were both cited as good examples.

Participants continued to discuss how project teams can more effectively motivate poor clients to save and what kind of segmentation approaches can help refine an understanding of clients' savings needs and behavior. Debbie Dean, of Grameen Foundation, referenced the book "Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty" in emphasizing the need to "bring goalposts closer in order to help the poor feel as if saving is achievable for them."

> *We need to "bring goalposts closer in order to help the poor feel as if saving is achievable for them"*
>
> *--Debbie Dean,*
> *Grameen Foundation*

BUILDING IN SUSTAINABILITY

During Day 2, Carlos Alborta, of IFAD in Bolivia, mentioned his work in Southern Peru on matching savings. This started a productive discussion about matching savings, subsidies, and sustainability. Matching savings were then compared with savings groups where both benefits and drawbacks were discussed.

Debbie Dean of Grameen Foundation mentioned that it is very important to consider sustainability from the perspective of clients as well as providers. Development practitioners need to ensure that the customers are getting the savings products they need at a price they can afford, while the group or institution remains profitable. On Day 3, Matt Despard at the University of North Carolina agreed that sustainability is a "dynamic concept" that is often “defined by the policy choices any country makes.” Therefore, such instruments as matched savings can be sustainable in certain countries and not sustainable in others.

CONSIDERING INNOVATIONS AND SHORTFALLS IN FORMAL AND INFORMAL SAVINGS

Jamie Zimmerman, of the New America Foundation, mentioned that whether formal institutions are the only ones that should be allowed to offer savings accounts is still the most controversial assumption in the field of savings for the poor. Rossana Ramirez, of Freedom from Hunger, responded that such informal savings mechanisms as savings groups “...are very effective in enabling participants to accumulate savings and access credit, precisely because ... the commitment-like structure that is built into that methodology.” Formal services, on the other hand, are more regulated and are frequently more trusted by consumers.

Another issue discussed was what elements of formal savings services can make savings not only accessible but also usable? Participants highlighted the banking correspondent models and mobile banking that create ease of access and usage. United Nations Capital Development Fund shared several examples from the project YouthStart and its partners, such as providing incentives to youth who reach certain savings goals and increasing interaction with youth. Santosh Daniel, of the Grameen Foundation, also brought up the importance of establishing good relationships with customers to promote voluntary savings. Additionally, presenters discussed whether mandatory savings is a product that is valued by customers and whether institutions should incorporate it into their product design.

> ***Formal vs. informal?***
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> *Informal savings mechanisms as savings groups “...are very effective in enabling participants to accumulate savings and access credit, precisely because ... the commitment-like structure that is built into that methodology.”*
>
> *--Rossana Ramirez, Freedom from Hunger*

Aishwarya Ratan from IPA then provided an overview of the research that is taking place with formal and informal savings. Aishwarya also discussed this subject during the USAID-funded After Hours Seminar on May 16.

INCREASING COLLABORATION BEFORE COMMITTING RESOURCES

During the last day, participants started with discussing the biggest challenges to advance microsavings for the poor. These included:

- enhancing internal audits and controls
- negotiating institutional realities with client needs
- considering savings as just one strategy
- realizing that sustainability is a dynamic concept
- lack of a good business model or business case for savings
- the need to increase human capital and capacity

Participants discussed where resources should be invested for maximum impact. Points raised were the need for a meaningful dialogue between the policy makers and regulators and for donors to conduct more research before committing resources to any particular intervention. In addition, participants suggested that resources should be applied to improve IT infrastructure, human resource training, client education, and to improve marketing of products and services.

When discussing these challenges, participants noted difficulties in building a good business case for microsavings for the poor. Management consultant Beth Mwangi stated that “business models that promote savings for the poor need a business case for savings that will appeal to the poor.” Beth mentioned an example of accumulated savings and credit associations, or ASCAs, in rural Kenya that were able to grow without donor support because the model was appealing to the consumers. Mwangi explained they were receiving dividends in the end of the year on a portion of their savings.

CONCLUSIONS

At the end of the day, facilitators acknowledged that at this point there is no concrete evidence on what is working and why in savings for the poor, and there is still need for more rigorous research in order to identify effective approaches.

Points for further discussion are noted below:

1. Need for further collaboration among diverse industry players
2. More models that allow an institution to connect product projections with reality without too frequently “moving the goalposts”
3. Prudential supervision to protect savings

Facilitators concluded this online discussion with further highlighting the need to engage diverse actors to collaborate and collect stories and lessons learned in order to design demand-driven and effective savings products. Hopefully this online discussion will help form and empower a community of dedicated individuals that will work together to address the many challenges of developing effective products, practices and policies to help the poor save sustainably.

Online Resources for this Discussion

A report from MicroSave's Optimizing Performance and Efficiency Series called "Savings - An Essential Service for the Poor"

"A Penny Saved: How do Savings Accounts Help the Poor?" by Jake Kendall

A report from the New America Foundation's Global Assets Project entitled "Promoting Savings as a Tool for International Development"

SPINNAKER Network portal

CGAP's paper on "Is There a Business Case for Small Savers" by Glenn D. Westley and Xavier Martín Palomas

Webinar on "Experimentation for a New Generation of Savers" by Rani Deshpande (Save the Children) and Rossana Ramirez (Freedom from Hunger) with technical support from the New America Foundation

Economist article: "Hope Springs a Trap: An Absence of Optimism Plays a Large Role in Keeping People Trapped in Poverty"

A report from the New America Foundation (May 2012) by Anjana Ravi and Eric Tyler on "Savings for the Poor in Kenya"

A report from the New America Foundation (September 2011) by Johan N. Diaz, Jesila M. Ledesma, Anjana Ravi, Jaspreet Singh, and Eric Tyler on "Savings for the Poor in the Philippines"

Make sure to check out the hot-off-the-press "Information as Power: Implementing Data Analytics at CARD Bank" report by the Grameen Foundation

Sample of Programs and Projects Mentioned During the Discussion

ADB/GIZ/DGRV TA project in Kyrgyz Republic to start deposit taking for credit unions	*Human Capital Center at Grameen Foundation*
AppLab Money program (GF in Uganda)	*IFAD's work in Southern Peru in matching grants to encourage savings mobilization*
ASCA model in rural areas of Kenya	*Laura Fleischer of Freedom from Hunger and her study of savings groups*
CARD bank in Philippines	*MEDA's work in design research in Pakistan*
CARE, Equity Bank and Orange recently launched a program in Kenya that connects community savings groups with banks via mobile phones	*Saving for Change Program in Mali (Freedom from Hunger)*
Community Knowledge Worker (CKW) program launched by GF in Uganda	*South Africa, stokvels*
Grameen Foundation work with Cash Poor Microcredit in India	*SPINNAKER*
Grameen Foundation work in Eastern Uttar Pradesh, India (usage of USSD/SMS based platform)	*USAID's STRIVE project in Mozambique*
	YouthStart-UNCDF

Authors' Acknowledgments

A sincere thank you to our facilitators who made the Speakers Corner a success: Jennefer Sebstad, Jamie Zimmerman, Debbie Dean, Rossana Ramirez, Rani Deshpande, Jasmina Glisovic, Eric Tyler, Kimbery Davies and Nisha Singh. In addition, a special thank you to Ashleigh Mullinax, Heather Risley, and the KDMD team for their excellent contributions. Finally, a big thank you to everyone who contributed to the richness of the discussion by posting comments and sharing experience, resources and case studies.