

Better Metrics for Effective Savings Action Group

Project Report

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Project Aim

Genesis of the project: During the European Microfinance Award 2020 “Encouraging Effective & Inclusive Savings”, most of the participant institutions could not provide adequate institutional savings data to measure effectiveness and outcomes of their savings products. This led to the articulation of a study to better understand savings data in order to facilitate cross learnings and improve savings outcomes.



(Broad) Purpose as defined by the e-MFP Action Group: Define better savings metrics, which in the long term can be standardized and broadly implemented across the sector.



Why?:

- ✓ Relevance of savings for low-income populations
- ✓ To assess outreach, effectiveness, and impact of the savings programs, there is a need for good quality data which is adequate for the purpose of the analysis
- ✓ Lack of attention at sector level regarding savings data



Objective of the Project

Problem Statement: How can we improve savings outcomes for different stakeholders like the Financial Service Providers (FSPs) by designing better savings metrics?

Objective: Develop an approach for building a savings taxonomy which helps to improve the classification of savings data; and to better measure the outcomes from savings products for different stakeholders.

Timeline

Agree to bring sector stakeholders together to focus on savings data

Recruit consultant(s) to conduct research on the topic

Interview FSPs across South Asia, Africa

Gather feedback to improve

Discussion on the way forward with AG members

Dec 20

Feb 21

Apr 21

May 21

Jul 21

Jul 21

Aug 21

Sept 21

Nov 21

Invite e-MFP members to participate in Action Group (AG)

Initial meeting with AG to define "what" to achieve from the study

Produce savings taxonomy reference and guide

Final report

Summary of the Responses from FSPs interviews

Which data are readily available:

- Any data which pertains to growth in MoM business
- The key business data points available:
 - New business volume: customer growth; savings growth
 - Repeat business volume: retention of customers; increase in average savings amount
 - Consistency of savings (leading to growth in total volume)
 - Type of savings and their growth
 - Geography of growth in savings
 - Saver status: active/inactive
 - Product adopted for savings (limited to institutions)



Which data are not collected:

- Apart from the business perspective, data pertaining to service satisfaction, or impact are in most cases not analyzed regularly. In many cases, they are not even collected
- Lack of systematic approach to collect, store and analyze savings data among the institutions
- Even institutions which have digital infrastructure and data accessible, do not analyze it beyond immediate business growth needs. e.g., locations where more loans can be pushed due to their higher savings



Reasons:

- Most of these institutions have manual processes. As such, data collection is costly
- We have also found that institutions do not see immediate reasons to analyze savings data systematically
- The KPIs are mostly related to business growth and correspondent data are regularly updated & looked after

Reasons for Limited Savings Data

Limited Strategic Bandwidth

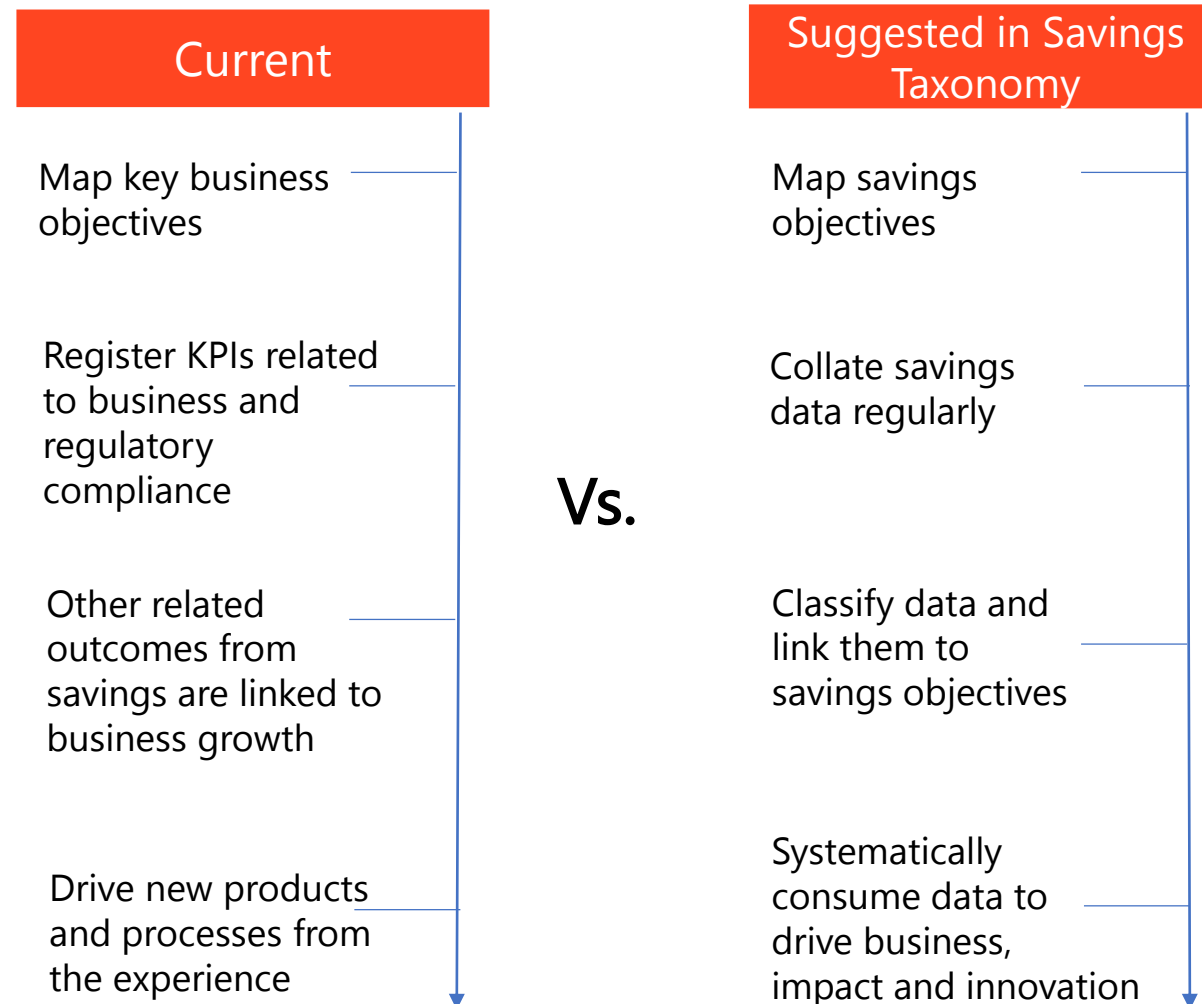
- The institutions' strategic focus on savings are limited. There isn't strategic bandwidth to look at savings and related data holistically.
- Management finds limited upsides from the systematic collection and analysis of savings data. A simple 'vanilla' product is what most institutions want to stick with.

Savings Outcome Linked to Business Growth

- Customer satisfaction, impact, improved financial wellness, etc. are invariably and tightly linked only to growth in savings volume.

Institutional Culture of Decision Making:

- Each institution has its own decision-making process. Few rely heavily on data to satisfy their product roadmap or customer satisfaction or to achieve any other desired objectives. Others rely on their 'gut' and experience, and as such do not find a systematic flow of data any more or less useful.



Motivations of FSPs to Adapt Savings Taxonomy

Taxonomy is about the laws and principles of classifying things. From one type of taxonomy, many classifications might be produced. Building a **savings taxonomy**, or savings data classification and management, **starts with aligning the key objectives to be reached by the savings instruments**. The process begins with a clear motivation to adapt/create a process of systematically consuming savings data for the desired outcome.



FSPs can have one or more of the following motivations to adapt to build savings taxonomy:

- ✓ *Measure 360-degree progress across product cycle*
- ✓ *Better command on savings outcomes by designing comprehensive KPIs and ease to report them*
- ✓ *Data driven to systematically improve product innovation, customer satisfaction and impact*
- ✓ *Digital transformation which will improve data collection and analysis*

Why Should Institutions Build a Savings Taxonomy?

- ✓ **Aligns data with objectives and maintains consistency:** A taxonomy forces the organization to classify data into one category or another. It further ensures alignment of the data set to better measure the objectives.
- ✓ **Allows to segregate clusters of info into actionable data:** Excess of data can create paralysis. But if the data are segregated into smaller chunks, then it is easier to analyze and intervene at the right time.
- ✓ **Creates accountability:** Each data point can be prioritized. Since it can be measured, someone in the team can be made accountable for its growth.

Why Should Institutions Build a Savings Taxonomy?

- ✓ **Develops a system to find and fill gaps:** Businesses are dynamic. Taxonomies should help to find the gaps by laying out a process to consume data in a systematic manner - new developments can be identified more easily and regularly.
- ✓ **Democratizes the innovation:** A taxonomy allows for fluid flow of information across all sections of the organization. Systematic access to information will allow for innovation.
- ✓ **Impact at the macro level:** Lastly, a taxonomy should help to drive cross learning and push towards standardization and identification of best practices. For e.g., book e-commerce companies have achieved near standardization in the way merchandise are arranged. Others have learnt from each other making the overall improvement in the industry supply chain much faster.

Way Forward

