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# Sustainable Savings Mobilization for Low-Income Women: Combining Personal Service with Digital Efficiency

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Loans



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# Agenda

1. Welcome and Introductions
2. Clients at the Centre – Sinapi's Susu Model
3. SASL Financial Model (BFA)
4. Wrap Up and Closing



# Clients at the Centre – Sinapi’s Susu Model



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**Sinapi Aba**

**SAVINGS & LOANS**

*Transforming Lives Through Micro Finance*

# The Decision to Transform



**MFI**  
CREDIT LED  
INSTITUTION

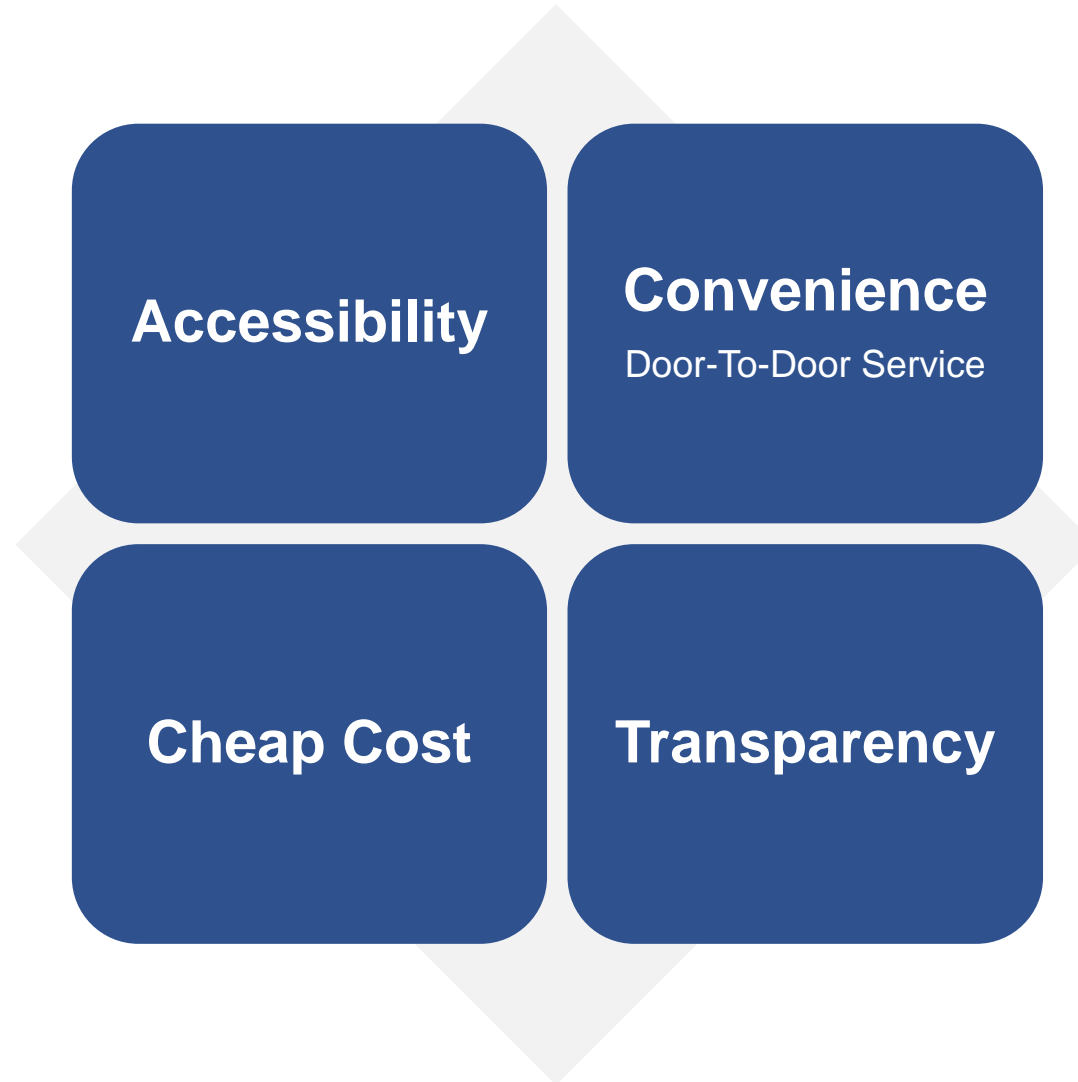
- Clarion call from clients to mobilize deposit
- To give low-income clients access to deposit services for enhanced financial security

**S&L**  
TO OFFER  
HOLISTIC  
FINANCIAL  
SERVICE TO  
CLIENTS

- Savings
- Loans
- Remittances
- Current/ Checking Account
- Investments



# What Did Clients Need in a Savings (Deposit) Service?



# Why Susu?

**Maintain focus on the existing core customer base (low income segment)**

**Reach out to the existing clients to perform financial transactions in the field – collect daily sales**

**Provide a better alternative to the “traditional Susu collection”**

**Provide financial access in busy markets, rural communities – access at your doorstep**

**Commitment savings – a reminder by pursuing the customer to save on a mutually agreed regularity.**

**Human Face and client interaction – customer service**



# Digitizing the Susu Model



## EFFICIENCY

Use of POS to record transactions “live” on the field in real time



## TRANSPARENCY

Print deal slips (receipts)



## CUSTOMER CONFIDENCE

SMS alerts sent to customer’s phone right after committing the transaction





# Key Successes & Learnings

## Massive “Take-up”

Increased number of savings accounts by over 130,000

## Deposit portfolio boost

USD 5 million  
(constitutes 24% of deposit book)

Increase in funding from savings mobilization

Reduced cost of borrowings from external funders



# Challenges and Solutions Applied

Type of Challenge	Challenge	Mitigating Solution
OPERATIONAL	<ol style="list-style-type: none"> <li>1. Security of cash collected by MB's in the field from theft and fraud.</li> <li>2. Clients complained of inconsistencies of MB visits.</li> </ol>	<ul style="list-style-type: none"> <li>• SASL introduced a threshold on the amount a single client can deposit and the amount an MB can hold.</li> <li>• Lagging field withdrawals by 24hrs to allow for the necessary due diligence.</li> <li>• Tightened demarcated locations (zoning) for MB's and supervision.</li> </ul>
TECHNICAL	<ol style="list-style-type: none"> <li>1. Fluctuation/lack of mobile network coverage.</li> <li>2. Intermittency in the delivery of SMS alerts.</li> </ol>	<ul style="list-style-type: none"> <li>• SASL POS devices uses dual SIM which allows MB's to rely on multiple networks.</li> <li>• Although this is dependent on MNO, a call centre was established for clients to seek clarification.</li> </ul>
FINANCIAL	<ol style="list-style-type: none"> <li>1. High cost of POS devices</li> </ol>	<ul style="list-style-type: none"> <li>• SASL adopted alternative solutions (Xtigi phones) which are cheaper and very durable.</li> </ul>



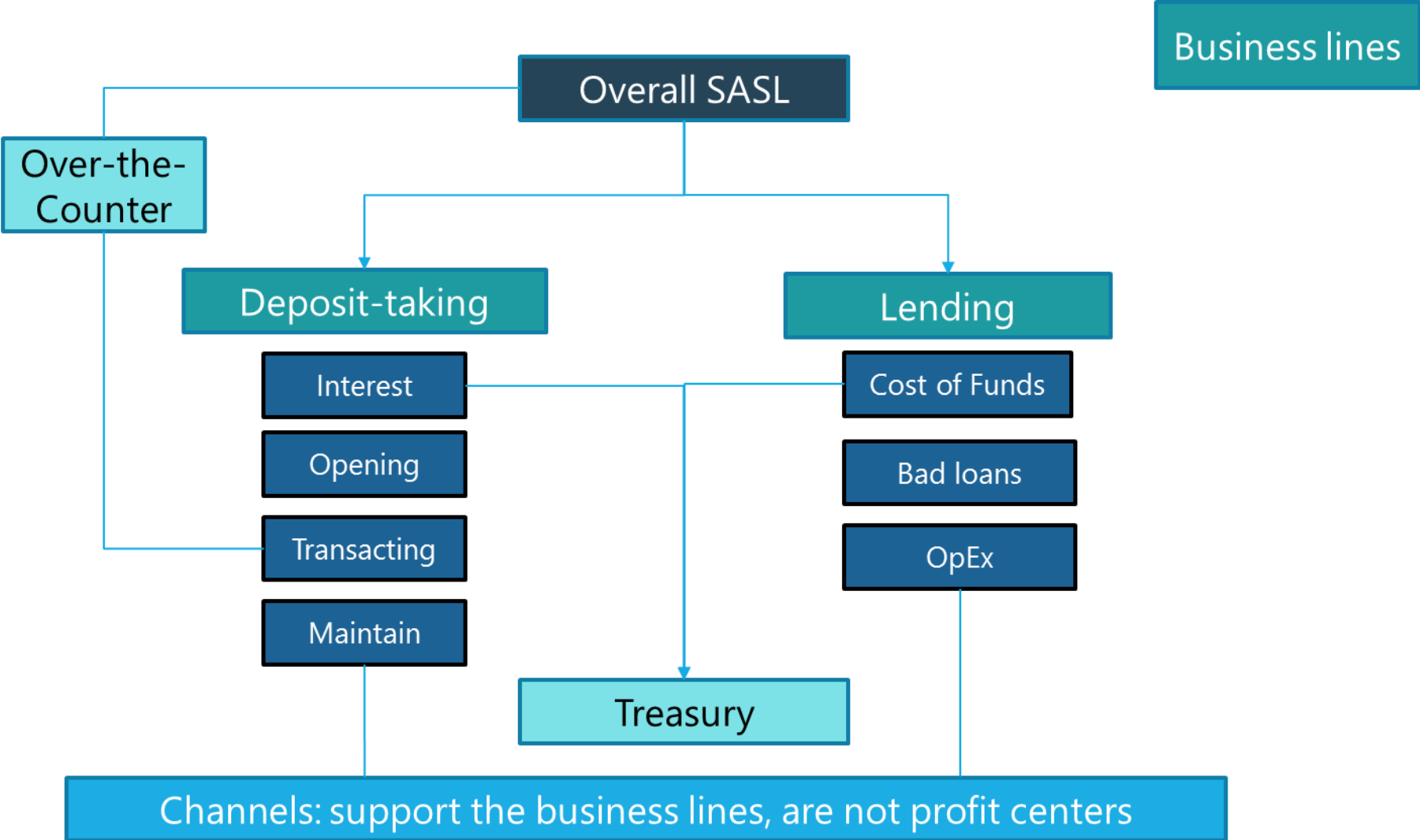
# SASL Financial Model (BFA)



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# Distinguishing core business lines & activities



# Framing the 4 key elements of the deposit-taking business case

## Origination

- Cost to acquire new customer and open deposit account; amortized over estimated life of account
- Income from any fees paid by customers to open accounts (N/A)

## Maintaining accounts

- Cost of general OpEx to support/service deposit accounts (branch & especially head office)
- Income from any monthly charges to customers to maintain a deposit account (ledger fees)

## Transaction activity

- Unit costs for a variety of transaction types, distinguishing different channels as applicable
- Income from transaction fees

## Net interest income

- Interest actually paid to clients on their balances
- Float revenue implied (transfer pricing from lending business, via Treasury)

# High-level view: Allocating FSP costs to core activities

## FSP expenses (% of OpEx)

- Staff related costs (~50%)
- Other overhead (rent, IT, utilities, marketing, transport, etc) (~43%)
- Depreciation & amortization (~7%)



## Identified core activities

1. Loan Origination & Servicing
2. Deposit Account Origination
3. Transactions (cash & noncash)
4. Deposit Account Maintenance
5. Treasury

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Finance costs (interest)



Intermediation

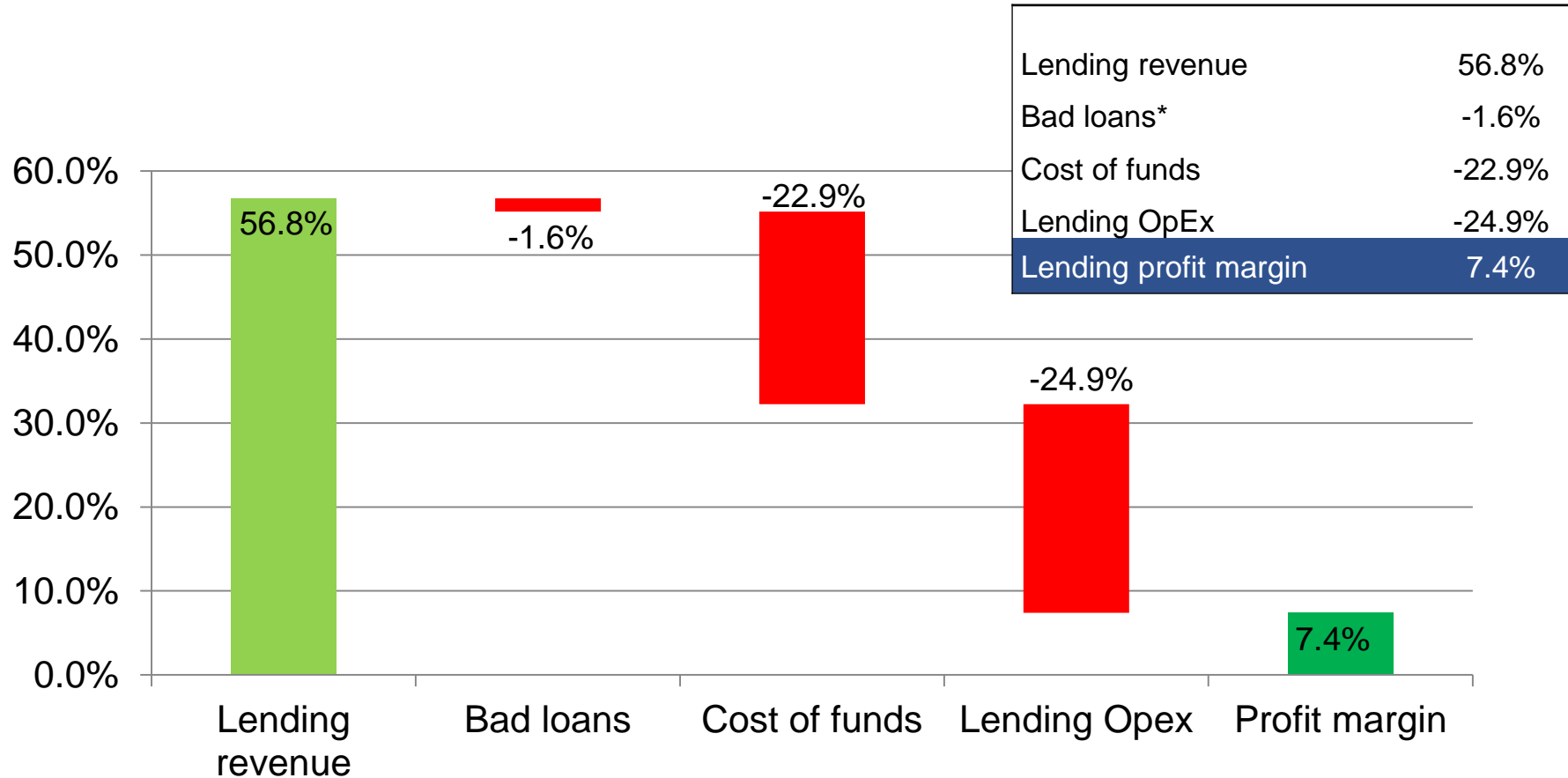
# Allocating income & expenses to two core business lines

Overall FSP Income Statement (USD)	
Lending revenue (interest + fees)	10,610,000
Lending risk/loss provision (net change)	-75,000
Deposit-taking revenue (fees)	500,000
Treasury revenue (investment income)	250,000
Treasury revenue (forex & other cap gains)	125,000
<b>Total revenue (net of provision)</b>	<b>11,410,000</b>
Deposit-taking interest expense	-1,100,000
Treasury interest expense	-2,400,000
<b>Total interest expense</b>	<b>-3,500,000</b>
<b>Net contribution before OpEx</b>	<b>7,910,000</b>
OpEx	-8,100,000
<b>Net profit (pre-tax)</b>	<b>-190,000</b>

Lending business line	
Interest revenue (including fees)	10,500,000
Lending risk/loss provision (net change)	-75,000
<b>Gross yield</b>	<b>10,425,000</b>
Interest expense (internal transfer pricing)	-4,150,000
<b>Net interest margin</b>	<b>6,275,000</b>
Lending OpEx - Branch/Channels	-3,650,000
Lending OpEx - HQ	
Lending OpEx - internal transfer to D/T for trx	-625,000
Treasury share	-375,000
<b>Net profit (loss) for lending business line</b>	<b>1,625,000</b>

Deposit-taking business line	
Fee revenue (includes remittance fees)	500,000
Overdraft interest income	110,000
Implied interest income (internal transfer pricing)	2,800,000
Implied fee income (internal transfer pricing)	625,000
Interest from reserves	0
<b>Total revenue</b>	<b>4,035,000</b>
Interest expense	-1,100,000
<b>Net interest margin</b>	<b>2,935,000</b>
Deposit-taking OpEx - Branch/Channels	-4,450,000
Deposit-taking OpEx - HQ	
Treasury share	-300,000
<b>Net profit (loss) for deposit-taking business line</b>	<b>-1,815,000</b>

# SASL: Lending Business Profitability, as % of Portfolio





# SASL: Account Level Profitability

Each column shows an account level view of annual profitability, for 1 account (average account) for the respective channel/product. The blue boxes at bottom compare the so-called “true all-in” cost of funds for deposits mobilized in the respective channel/product.

All amounts in GHC	Branch (Non-Susu, 2015)	as %	Susu (2015)	as %	Susu Pro Forma (2017)	as %
<u>Average account profile</u>						
Transactions per year	16.60		35.01		35.01	
Deposit balance	213	100%	118	100%	136	100%
<u>Account profitability analysis</u>						
Implied interest income	44.00	21%	24.41	21%	28.04	21%
Interest expense	-22.94	-11%	0.00	0%	0.00	0%
Net interest income	21.07	10%	24.41	21%	28.04	21%
Origination cost (amortized)	-16.90	-8%	-16.92	-14%	-10.15	-7%
Trx fee income	4.87	2%	0.71	1%	0.71	1%
Cost of trx activity	-24.48	-11%	-17.46	-15%	-10.47	-8%
Ledger fee income	1.74	1%	0.00	0%	0.00	0%
Maintenance cost	-22.94	-11%	-22.94	-19%	-22.94	-17%
Annual (loss per account)	-36.64		-32.20		-14.82	
Total # of accounts in this channel	197,840		120,768		135,000	
Entire portfolio	-7,249,549		-3,888,654		-2,000,375	
All-in true cost of funds (all above except interest income)	-38%		-48%		-32%	

# Comparing “true all-in” cost of funds

	Branch (Non- Susu) deposits, 2015	Susu deposits, 2015	Susu deposits, pro forma, 2017	Wholesale borrowing, 2015-2017
Interest only	10.7%	0%	0%	22.9%
Operating costs (net of fee income)	27.1%	47.8%	31.5%	1.0% (Roughly estimated)
Adjustment for transfer pricing (loan payment processing)	-4.4%	-4.4%	-4.4%	N/A
<b>True all-in cost of funds</b>	<b>33.4%</b>	<b>43.4%</b>	<b>27.1%</b>	<b>23.9%</b>





## Q & A



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# Thank you!



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