State of the Practice:
Savings Group Linkages 2024

EXECUTIVE SUMMARY

Letter from VisionFund International's CEO

Savings groups are local treasures; they provide a context where the foundations of financial capability are laid, where community assets are preserved and grown, and where women's economic empowerment results in tangible benefits to children, households and their communities. In World Vision, savings groups are central to our organization's livelihoods strategy, and in VisionFund we approach savings groups as one of our primary target markets for extending financial services.

We view savings groups as the first step on the financial inclusion ladder, providing basic financial intermediation by allowing community members to save, borrow and invest in their local economy and receive a return on their investment. We also see a huge opportunity to work with these savings groups to climb further up the financial inclusion ladder through linkages to additional financial services designed to enhance these essential functions. While new practices and solutions continue to emerge in savings group linkages, this sector of the economy remains vastly underserved by formal financial institutions.

VisionFund commissioned this study as a contribution to our collective learning and future collaboration on this important topic of savings group linkages. The overwhelming interest shown by implementers, providers, donors and researchers in response to this study was a clear demonstration of the relevance of this topic to the inclusive finance sector. As such, we hope it will serve as a launching pad for on-going dialogue and action.

Edgar Martinez
President and CEO
VisionFund International

Executive Summary

In the first study of its kind, since the Banking on Change partnership first mapped the ecosystem in 2016[1], this 2024 State of the Practice Report defines today's landscape of programming and products that connect informal savings groups to formal financial services ("linkages").

Findings from this supply-side analysis are based on extensive interviews with practitioners—those who form groups or deliver financial services to them—as well as other thought leaders. Observations are based on interviews and follow-on consultations with 46 practitioners and their teams. Interviewees hail from the non-profit, government, education, consulting, fintech, and financial service sectors as well as from foundations and thinktanks.[2]

Inspired by VisionFund International's own questions about the linkage ecosystem, this study intends to point fellow practitioners to both novel and time-tested approaches. It offers a thematic analysis of trends in today's linkages, includes practical examples from the field, and is accompanied by an appendix listing important implementations and profiles of many of today's stakeholders: NGOs, technology platforms, financial service providers, and regulators.

The study's central findings reveal a shift in the model of linkages from a homogenous approach of linking groups to savings accounts and group loans, made popular in early implementations, to something far more heterogenous and complex. **A quest for commercial viability, the rise of agent banking, and realized advancements in technology have served as enablers of these new approaches, leading to a host of models that link groups and their members to financial services. We call these approaches collectively "Linkages 2.0".**

The linkages catalogued in 2016 represent "Linkages 1.0," and advance a straightforward model: whole groups were onboarded, typically by NGO staff, in partnership with a bank or microfinance institution. The relationship is heavily brokered and subsidized by NGOs. Through a financial institution, the group receives either a group account, into which they could deposit large sums of cash in periods before an end-of-cycle share-out (distribution of savings, fees, and interest back to members), or they are issued a group loan, guaranteed by all members.

Elements of the 1.0 approach persist today. They join new evolutions to become Linkages 2.0, which combine financial products, technology, and service delivery methods **to 1) improve the distribution, value propositions, and business models of financial service providers; 2) improve the efficiency and impact of those forming savings groups (primarily NGOs); and 3) provide greater value to savings groups and their members.**

The resulting shifts can be observed in four main aspects of linkage implementations: roles of ecosystem players, distribution, product design, and technology.

Evolving Roles and New Entrants. Shifting roles in Linkages 2.0 involve adaptation by NGOs, financial institutions, and governments toward new business models and regulatory strategies. Many providers who piloted Linkages 1.0 have exited the ecosystem. For the most part, those who remain are either mission-minded financial institutions for whom serving groups is a matter of mandate or social commitment, or commercial entities (re)entering the market, based on the promise of new business models. Notably, new technology platforms have entered the market offering efficiencies to groups and providers. Governments are paying closer attention in some markets, seeing linkages as an inclusion strategy and, in some cases, beginning to regulate groups and linked services.

Agent Dynamics. Of increasing importance are facilitators of linkages at the last mile. Agents, some trained and paid by NGOs, others by financial service providers bring doorstep services to groups and members. Agents offer a path to sustainability for NGOs, and for commercial providers, agents extend reach at lower costs. Practitioners are wrestling with how to align incentives to best serve groups.

Diversified Products. Linkages 2.0 present a diverse array of products, beyond group accounts including individual accounts, loans, insurance, and connecting groups to digital marketplaces and agricultural value chains. Where group products demand higher regulatory scrutiny and more complex onboarding, we see increased interest in promoting individual accounts, loans, and supplemental services. Emerging evidence suggests that this may align with the diversity of member needs within a group.

Technological Advancements. Even more than going cashless (via mobile money), Linkages 2.0 technologies aim toward paperless processes, embracing high-quality technology platforms for digitized recordkeeping. The introduction of technology platforms, or apps, holds the potential to make recordkeeping accurate and group management of its internal funds flexible. The platforms also pave the way for group and individual credit scores, although this promise is still in the early stages of development.

Comparing 1.0 and 2.0 Linkages

Linkages 1.0		Linkages 2.0
Goal: Empowerment; a group as a hub for other sectors; sustainability via market-led scaling after NGO pilots.	GOAL	Goal: Progress in financial health; increased financial choice for groups and members; sustainability via agent- and tech-enabled cost efficiencies.
Simple ecosystem (group, NGO, bank partner) Regulators see groups as informal, largely unregulated	ROLES	Complex ecosystem (+platforms, MMOs, agency networks, types of licensed FIs) Some countries begin to require registration of savings groups, especially prior to linking
Group product (savings or credit – mostly savings) Strict adherence to model (SILC, VSLA, SHG); annual share-out of funds is required	PRODUCT	More flexibility in product: group or individual, savings, credit, insurance, other More flexibility in the SG model; technology enables more flexibility in share-out and loan repayment timing for members
NGO staff-facilitated	DISTRIBUTION	Agent facilitated; diversity of agents and approaches
Analog recordkeeping Cash and box with three keys Group holds own data (ledgers or passbooks or both)	TECHNOLOGY	Digitally-enabled recordkeeping Mobile money with no cash in box; group has access to a smartphone Data in cloud and available to others

In entering the digital realm, savings groups benefit, but are also exposed to new risks. The *Risk and Alternatives* section details some of these risks and ways to mitigate their effects. In transitioning from paper-based tools to the digital domain, savings groups face new and heightened risks: potential data loss, breaches, and the sale of data by financial service providers. Simultaneously, there are exclusionary risks, such as the marginalization of digitally illiterate members and those without handsets or connectivity. This digital transition promises new commercial viability and functionality, yet practitioners point to risks of low demand for digitization and challenges associated with scaling.

This report concludes with **a call for more learning**. The final section: *Looking Ahead* posits open questions for the field, the answers to which will determine both supply-side viability and demand-side value. Most prominent among them:

- How can we ensure that the promise of tech-enabled efficiencies translates to expanded and sustainable inclusion and prosperity rather than leading to further exclusion of people with limited access and experience with technology?
- In what ways can linkages deliver real value to groups and their members?

Encouraged by the quick learning of practitioners to-date as well as a palpable appetite for continued improvement, the authors see cause for optimism for the future of linkages. Evidence from the first phases of Linkages 2.0 point to some promising practices **to inform next iterations of linkages**:

- Delivering real value to groups. Through linkages, seek to improve underlying value of a group for its members by listening to their specific needs.
- Pushing beyond the 'group' persona. Classifying group members by archetype to better understand how external financial services or digitization can assist different types of members to achieve their goals.
- Employing group linkages first for some groups. Even if they are not an endpoint solution, group products can act as a safe entry point for many members, bridging to formal financial services as a group's needs evolve.
- Offering a digital option but not requiring it. In order to minimize the risk of exclusion, practitioners give groups a choice of paper-based or digital recordkeeping and encourage paper backups until groups feel comfortable, and platforms have proved their staying power.
- Capitalizing on tech-enabled flexibility. For example, digital recordkeeping can give groups the flexibility to choose whether to share-out or continue accumulating.
- Setting clear expectations. Give extra care when explaining requirements, conditions and value of linked offers.
- Embedding a discussion of data security, backups and how to reconstitute lost digital records into programming and training.
- Supporting commercial interests of groups. This may include creative approaches to supporting the entrepreneurial activities and employment possibilities of groups, subgroups, and their members.

We hope that these questions inspire the next round of learning and innovation.