



WORLD BANK GROUP

Digital savings products

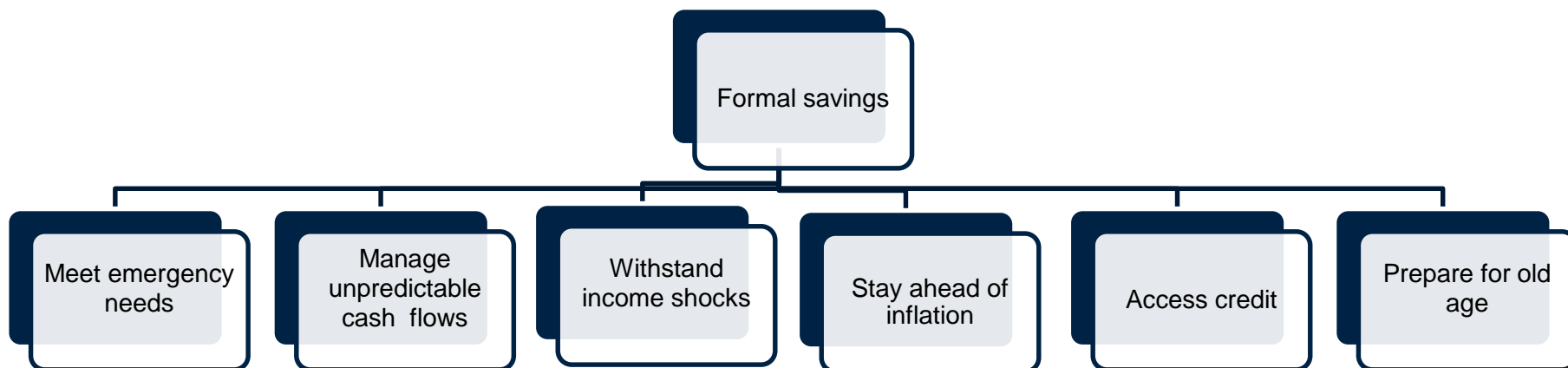
Financial inclusion beyond payments

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Access to formal savings is part of financial inclusion

- Access to savings products at regulated financial institutions is a vital component of financial inclusion.
- Helps low-income and underserved populations to “save up” and not “save down” in a safe / regulated environment

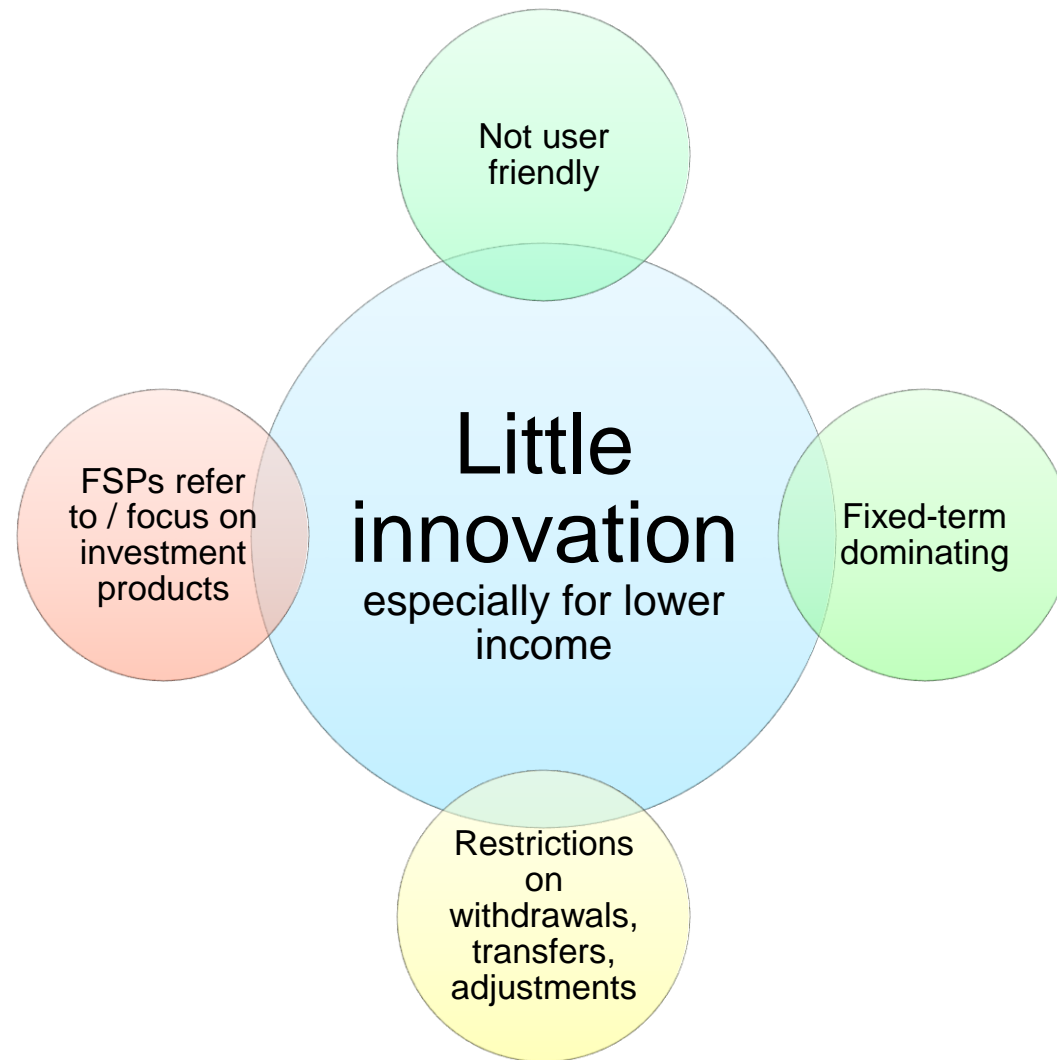


- Accessible, flexible, and affordable digital savings products could unlock a powerful saving potential, even in extremely low-income countries, and **bring existing informal saving into the regulated financial sector.**

room for improvement to reach OECD levels

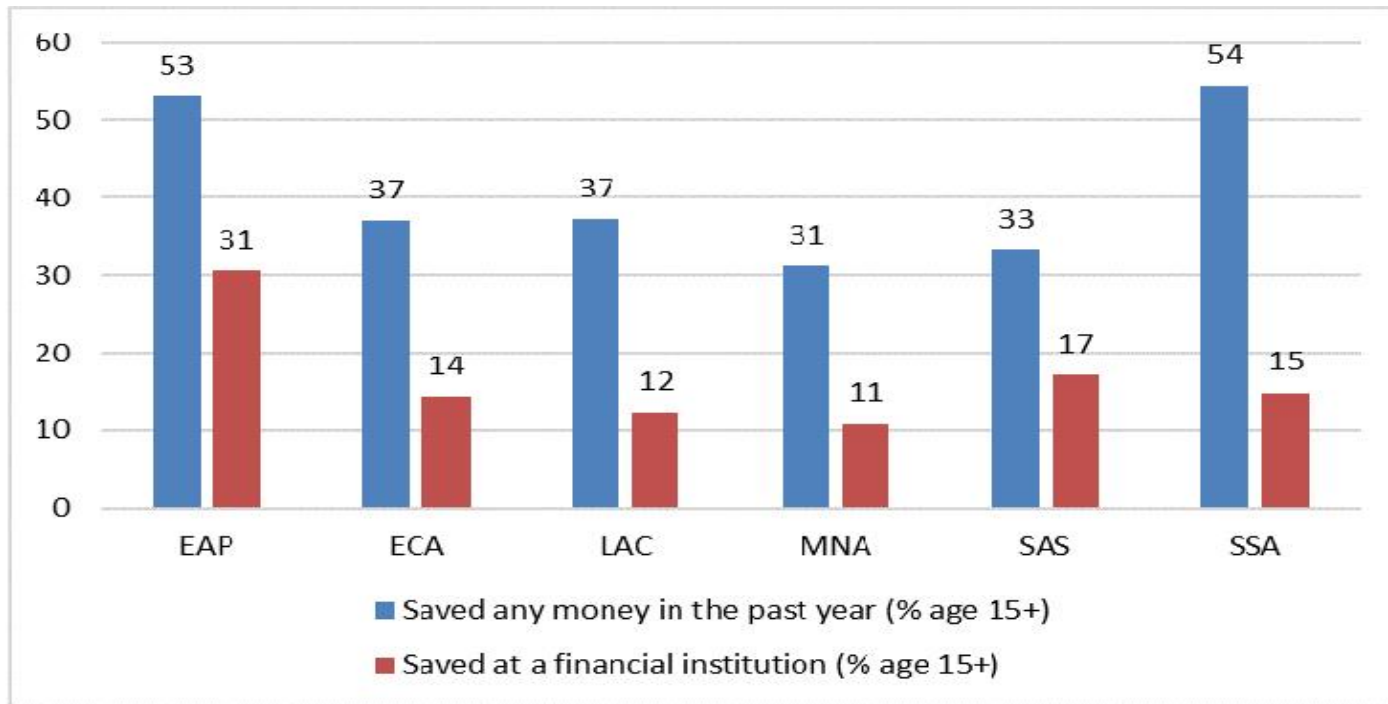
- Global Findex - 21.1% of Chilean adults reported saving at a financial institution
- Household Financial Survey 2017 - 36.2% of households saved in the past 12 month - lower than the OECD average (56.5%)
- Some of the cited reasons for lower savings:
 - easy **accessibility of credit** to purchase consumer goods;
 - opening a savings account **perceived to be difficult**;
 - **low-income** levels among consumers....
- Potential gap between the savings practices and preferences of consumers and available products in the market – but people save informally

Lack of focus on low-income / lack of innovation

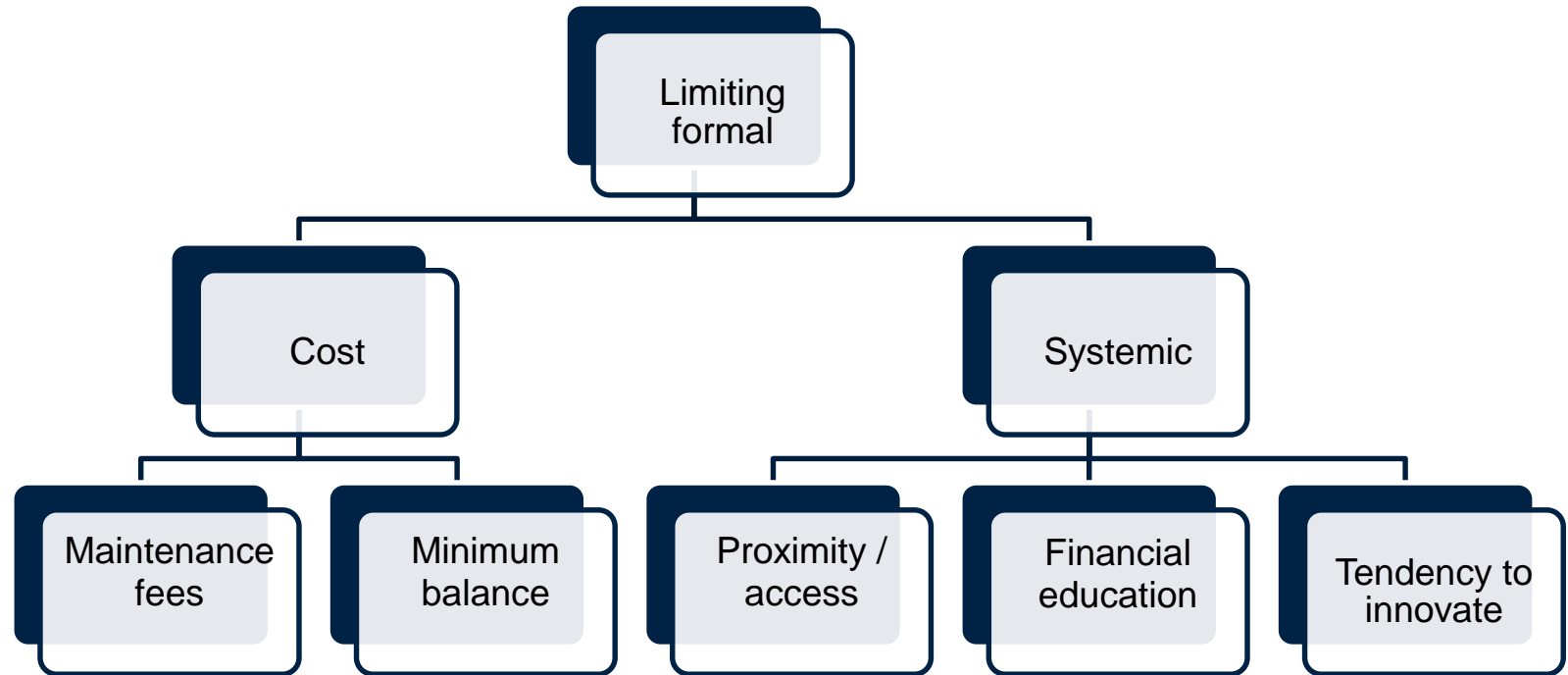


Globally low-income people save - but not formally

- Significant gaps exist between the proportion of adults who save and those who save at a financial institution – Finscope 2017



Costs and systemic issues reduce formal savings



- Affordable, Accessible and Flexible savings products needed

Leverage Digital Financial Services

Across the world **FIs leverage digital technologies** to expand access financial services



Digital transaction accounts and payment services
GATEWAY TO FINANCIAL INCLUSION

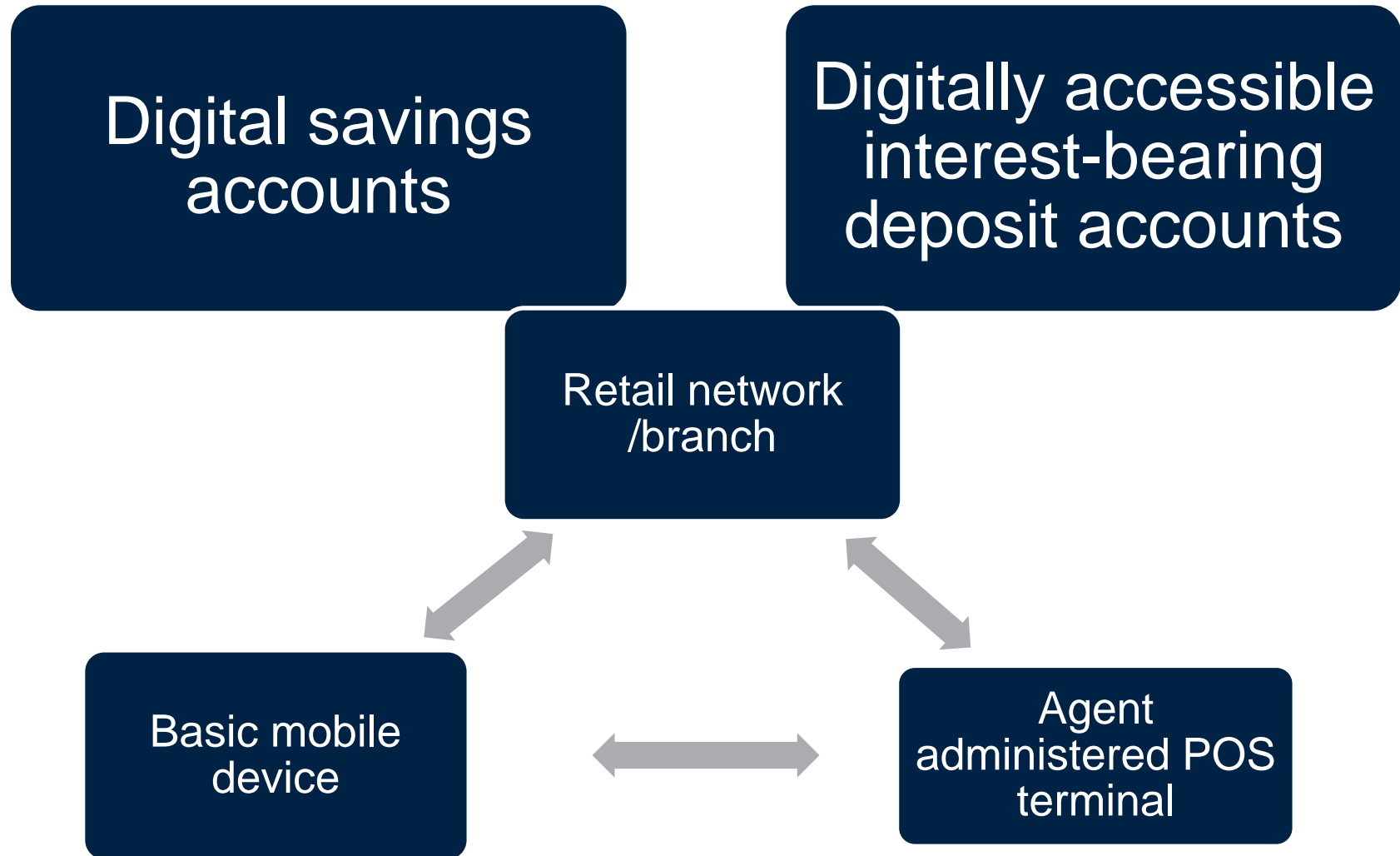


Digital credit evolved as a next step



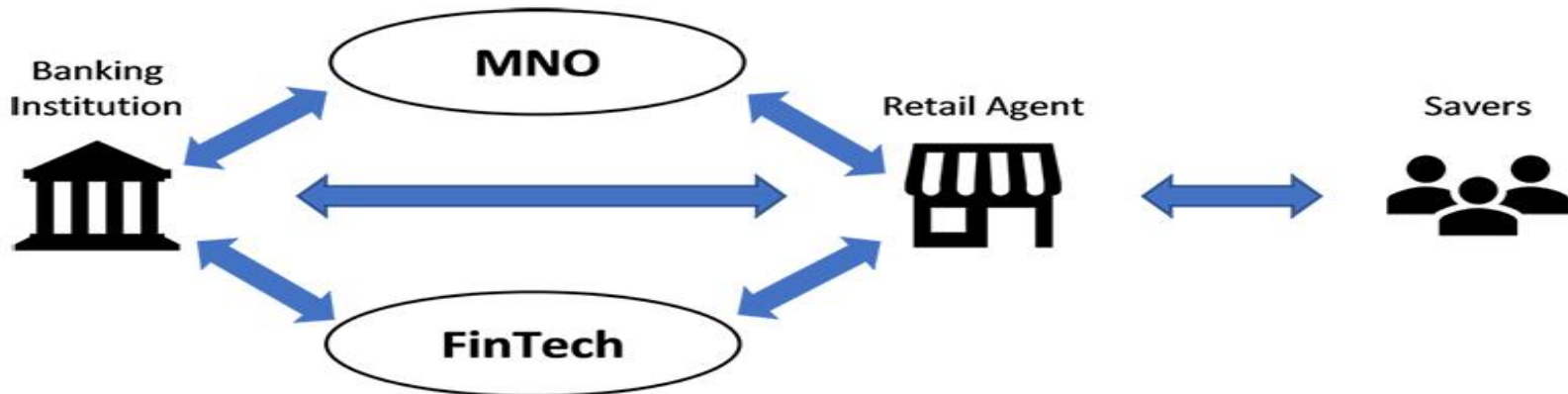
Recognizing savings gap - deploying **digital savings** products too.

World Bank review of DFS savings in SSA and Asia - Definition



Three primary deployment models

- Partnerships between banking institutions and NBEIs
- NBEIs – Mobile Network Operators / other Fintech



Three primary deployment models

- Many digital savings accounts constitute digital channels to legacy savings accounts at banking institutions
- However, bank – MNO partnerships increasing

MNO partnerships - dominant model in SSA

M-Shwari in Kenya

M-Pawa in Tanzania

MoKash in Uganda



Reflects the historically MNO-centric DFS approach in SSA

Properties enabled by digitalization and innovation

- **Value chain disaggregation** - banks partner with nonbanks for the technology and distribution aspects



- expanded access points
- improvements in the economics of low-cost savings accounts,
- leveraging of different entities' comparative advantages, and
- scaling up of microbanking institutions.

Properties enabled by digitalization and innovation

- **Product tailoring and customization** is made easier through digital technology and innovative business models, enabling providers to incorporate greater degrees of



accessibility, flexibility, and affordability in their savings account offerings.

- **Increased competition** - leveraging of existing DFS ecosystems helps foster competition and facilitates access through use of existing infrastructure.



Policy considerations to facilitate digital savings accounts deployment

HLP	Policy considerations
HLP 1: Promote a digital approach to financial inclusion	<p>Incorporate saving elements in national financial inclusion strategies - importance of affordability, flexibility, accessibility.</p> <p>Encourage providers to offer options for earmarking portions of salaries for digital savings accounts.</p>
HLP 2: Balance innovation and risk to achieve digital financial inclusion	<p>Establish policy practices for enabling digital savings competition while facilitating cooperation and effective partnerships.</p> <p>Support a “multispeed” approach to digital savings inclusion, as some consumers may be ready to move beyond digital savings accounts to digitally-enabled, market-based wealth-building products.</p>
HLP 3: Provide an enabling and proportionate legal and regulatory framework for digital financial inclusion	<p>Allows digital savings partnerships between banks and nonbanks / agent networks.</p> <p>Use Sandbox approach (or test and learn) to allow innovation in savings.</p> <p>Harmonize a risk-based approach to CDD for e-money wallets and bank deposits.</p>
HLP 4: Expand the digital financial services infrastructure	<p>Support the development of NBEI to bank interoperability – a technological backbone for digital savings partnerships and distribution strategies.</p>

Policy considerations to facilitate digital savings accounts deployment

Fintech product	Acknowledged benefits
<p>HLP 5: Establish responsible digital financial practices to protect consumers</p>	<p>Robust customer funds protection for bank deposits and e-money accounts.</p> <p>Ensure customers are afforded critical information about digital savings accounts at point of opening – emphasis on a mobile phone or through an agent-facilitated document collection process.</p>
<p>HLP 6: Strengthen digital and financial literacy and awareness</p>	<p>Incorporate saving elements in financial education strategies</p>
<p>HLP 7: Facilitate customer identification for digital financial services</p>	<p>Continue to implement, refine, and expand national identification systems, and align know-your-customer requirements for basic transaction accounts and savings accounts.</p>
<p>HLP 8: Track digital financial inclusion progress</p>	<p>In cooperation with digital savings providers, gather and publish data on deposits facilitated through digital channels, as such information is critical for understanding digital savings opportunities and risks.</p>

Thank you.

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