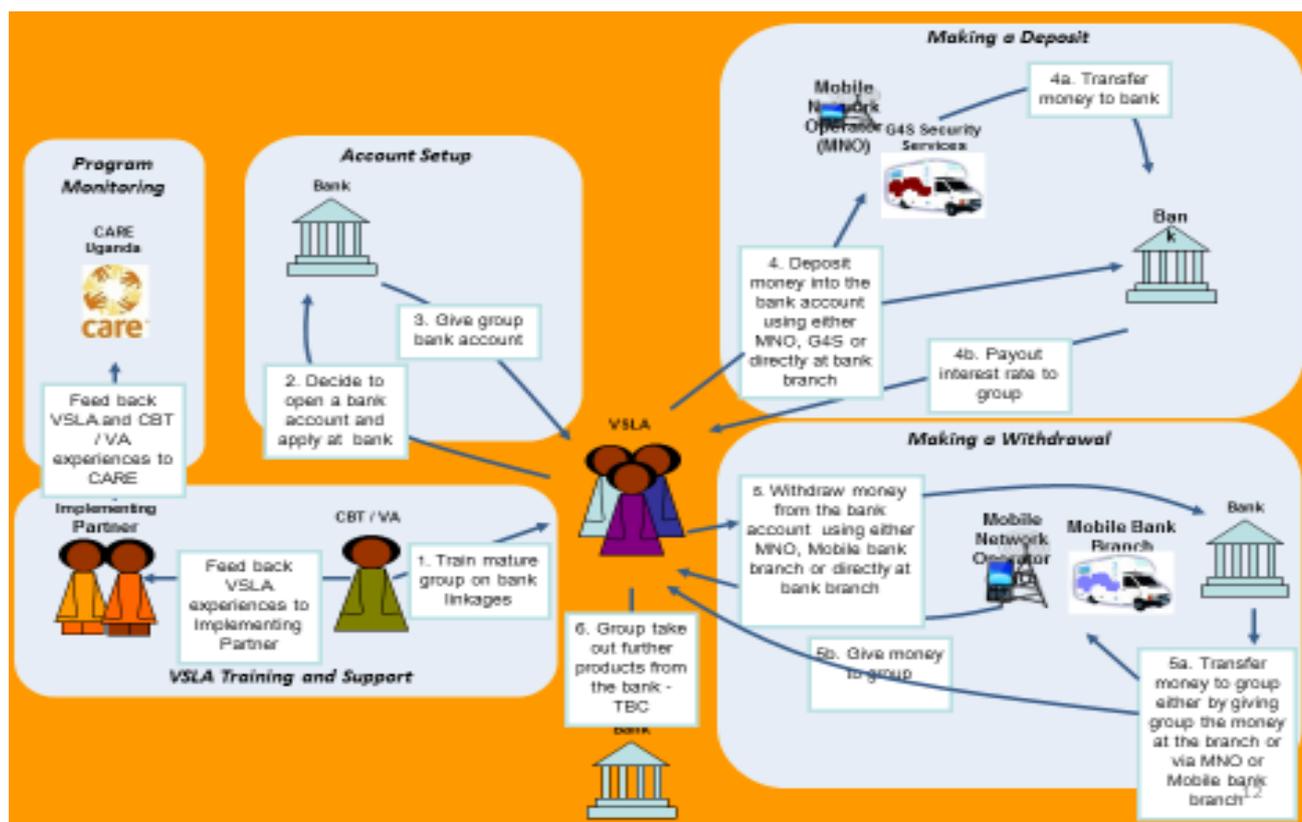


## Women and Youth Financial Inclusion Program (WAYFIP) Models

### Model 1. Bank Linkages

#### Description of the model

The Bank Linkages model is an innovation that links Village Saving and Loans Associations (VSLA<sup>1</sup>) to formal financial services/institutions. This creates appropriate delivery mechanisms that solve the existing market failures of formal financial inclusion mechanisms. Nationally, 74% (40% are female) of Ugandans access only informal financial services and a further 15% (8% are female) are excluded from any such services.<sup>2</sup> Access to formal financial services, e.g., commercial banks, increases the range of financial products and services available to VSLA members. This widens their financial security and entrepreneurial growth opportunities. The Bank Linkages model enhances financial inclusion for existing VSLAs and other savings groups, especially the poorest and most excluded Women and Youth from the hard to reach areas and populations. The model aims at enabling vulnerable women and youth to access formal financial services which come with broad opportunities in investment, access to specialized credit facilities and funds safety. This is undertaken through financial education for skills development and creating/promoting customer friendly financial products such as the no cost (no bank charges) VSLA Group Savings Account, VSLA Group Overdrafts for better positioning and inclusion of the most vulnerable.



<sup>1</sup> VSLA is a savings-led microfinance model based on the belief that for the extremely poor, and particularly women, the best approach is to begin by building their financial assets and skills through savings. Through participation in a VSLA, members are able to save and borrow and can diversify and expand their activities. Operationally, a VSLA is a self-selecting and member-financing mechanisms comprising of between 15-30 people who come together and save every week.

<sup>2</sup> Finscope- Report- 2013

The model builds on the mobile-money platform to enable provision of a wide range of products and access in rural areas. The model is based on seven principles:

- 1) *Groups are linked not individuals;*
- 2) *Linkage is demand driven not supply driven;*
- 3) *Core principles of VSLA methodology are upheld<sup>3</sup>;*
- 4) *Emphasis on member savings is maintained;*
- 5) *Member savings are not held as collateral;*
- 6) *Only mature groups are linked (3 years old);*
- 7) *Conservative savings to credit ratio is maintained.*

---

<sup>3</sup> VSLA Principles Include: self-selection of the VSLA Members, Group Membership ranges between 15-30, group comprises of management Committee and General Assembly. The committee comprises of 5 leaders of which at least 2 are supposed to be female. The groups meets on a weekly basis, keep records and runs saving cycles for 8-12months.

Digitalized financial products and mechanisms that address problems of transactional interface and distance to financial access points include the 'Electronic keys (E-Keys)' and 'Ledger link'. The E-Keys build on the VSLA cash box principles which say that the box should be locked with three padlocks, and the keys be kept by three different members. With the E-Keys, the same principle applies by requiring that three passwords be used to perform an electronic group transaction. The Ledger Link builds on the VSLA principle requiring all groups to keep records that include the Savings, Loan, Welfare and Cashbook Ledger. Ledger Link enables the VSLA groups to keep their ledgers electronically, and then to load their weekly financial proceedings on a mobile application and send it to the linked bank. This is done through a mobile money agent who provides the cash in and cash out services. This helps the VSLA because it mirrors their account at the commercial branch bank. This mechanism serves as an information/ data back-up in case of a loss through a fire or theft of the cash box. It also eases the Know Your Customer (KYC) process for the bank in case the group wants an overdraft.

Both digital products facilitate VSLAs to open group wallets on a specific Mobile Network Operator (MNO) platform. Through a group mobile telephone number, the MNO supports them to transact and manage their bank account through mobile money services without a physical interface. This in turn reduces transport costs, saves time spent going to and from the bank and reduces the risk of moving with large sums of group funds. Across Uganda, CARE has so far linked 53 VSLAs using digitalized services and 1,450 VSLA groups using ordinary methods. Since the model is jointly developed with FFIs and MNOs, consumer protection is prioritized to realize business growth and consumer benefit.

## **Development of the model**

The bank linkage model was developed in CARE Uganda with support from Access Africa, CARE UK and Barclays UK in response to a need to address financial inclusion gaps that were not adequately covered by the VSLA methodology. The model has been rolled out from 2011 to date. Changes in the model have mainly been the addition of digitalized approaches to access to financial services; these have made the model more effective.

The entire CARE WAYFIP team have expertise in the linkage model and have received tailored capacity building. Their expertise is seen in the documented successes registered from the linkages. The linkage model is now becoming strategic nationally as it is being taken up by a range of national partners including government, development partners, and NGOs, both local and international. CARE is now in partnerships with PLAN, IRC, Master card, Airtel Africa, SEEP network in the financial linkage charter.

## **Significance of the model**

The bank linkage model has proved useful in addressing challenges to the accessibility of formal financial services, self-esteem, safety of group savings and financial literacy. As noted above, CARE's linkages for more than 1500 VSLAs means the model currently reaches approximately 38,025 people, of whom 59% are females and 13% are youth. The financial behaviour of linked members has significantly changed, as seen in the amount of savings being banked. The current amount is 983.8M Ugandan Shs, which represents a 40-100% savings growth rate and a 35-60% return on investment. The model has been adopted within the government financial policy framework as well as internationally, e.g., by CARE in Kenya & Tanzania. The lessons learnt from the model have been documented and shared in several evaluation studies.

The Underlying Causes of Poverty (UCPs) that are addressed by the model include social exclusion, unequal rights of access to resources and services, and financial exclusion for women and youth. This is evidenced by the increase in the proportion of women owning household productive assets [e.g., agricultural equipment, land, oxen, etc.] from 5% to 47.1%.<sup>4</sup> It is anticipated that other UCPs will be addressed in the long term. The outcomes of the model have included improved livelihoods, access to financial services, new tailored product initiatives in FFIs, and policy influence to include the financial inclusion model.

CARE is leading a Self Help Group Committee that is hosted by the Ministry of Finance; this committee has provided an opportunity for new innovations of this type to be examined and promoted at multiple levels as well as exploring the potential for inclusion of adaptations to existing or new government policies affecting financial inclusion.

### **Implications of the model**

The linkage model is looking good for sustainability (though it is still early days), as the beneficiary groups have continued transacting with the FFIs even after the supporting initiatives have ended. The FFIs have continued to pursue the model as a business, as per the evidence seen in impact evaluations. There is a need for standardized and harmonized implementation approaches of the linkages, considering the wide proliferation of organizations taking up the model. The entire model development process to date has been guided principally by CARE's initiative; CARE has also been in the forefront of demonstrating its relevance nationally and internationally. The implementation of the linkages has proved cost effective, affordable and scalable as seen in how the FFIs are implementing it as a business case. The model has become very attractive to other (international/ national) VSLA promoters. However, some of these organizations have rushed into the linkage approach without following proper linkage processes, thereby linking ill-prepared groups with profit-oriented Formal Financial Institutions (FFI). This affects the linkage sustainability because the FFIs can exploit the community groups. On the institutional side, some FFIs have not solidly institutionalized the approach within their organization. This makes it inefficient and costly since it requires constant external training of new staff and causes delays in services for the VSLA groups. It is important for the linkage process to be institutionalized from the top management so that all the FFI staff are aware about the linkage in order for them to support and own it. Therefore, CARE and other organizations have created a "Linking for Change Savings Charter" document that guides linkage processes to observe the do-no-harm principle and realise a win-win situation.

### **Partnerships**

Currently there are over 20 partner organizations promoting this model in Uganda. These groups and 16 global organizations have signed the Linking for Change Savings Charter that advocates for the Bank Linkages principles. These partners are continuously engaged in model evolution process to sustain relevance and impact multiplication among the targeted communities and impact groups

---

<sup>4</sup> BOC Baseline (2012) and End Line (2015) Studies