Scale 2Save

Application of CGAP Customer Outcomes Framework in Uganda

Uganda Case study

September 2022

in partnership with

WSBI

mastercard foundation

Acknowledgements

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01 Background into the CGAP Customer Outcomes Framework

There is a global attempt amongst authorities to evolve the current rules-based approach to consumer protection towards outcomes-based regulation and supervision. In jurisdictions such as the United Kingdom and South Africa, customer-centric regulatory and supervisory frameworks such as, "Treat Customers Fairly (TCF)" represent a foundational example of this evolution.

Despite this progress, both authorities and Financial Service Providers (FSP) still face the following inter-related challenges when determining customer outcomes:

- **Measuring progress**: Qualitative and subjective nature of existing frameworks are not conducive to verifiable quantitative measurements.
- **Customer-lens**: Existing supply-side, quantitative returns/submissions are largely orientated from a product and business performance perspective rather than a customer-perspective.
- **Detection and correction**: In absence of customer-centric supply-side data, reliance is placed on retrospective demand-side market research (rather than actual customer analytics), which cannot always hone in on how different and specific FSPs' products, policies and practices impact different segments of the consumer market.
- **Defining "good" for customers**: Since customers differ in terms of what they need based on who they are and the jurisdictions wherein they are served, defining good outcomes that have universal relevance, has been an obstacle to the outcomes-based approach.

The customer outcomes framework, was developed by CGAP in response to these challenges by building on existing frameworks so that the "responsibility for consumer protection shifts away from the customer towards the FSP" (Koning, A. et al., 2022). CGAP describes this as the move from "buyer beware" to "seller beware". According to this approach, the ambit of consumer protection expands from "Do no harm" to assessing if customers "Purposes are met" and "Ensuring their best interests".

The framework therefore accounts not only for the basic elements of consumer protection, but aims to ensure that customers' derive actual value from financial products and services that make their financial lives better with the ultimate aim being, financial resilience and long-term stability.

The customer outcomes framework, was developed by CGAP in response to these challenges by building on existing frameworks so that the "responsibility for consumer protection shifts away from the customer towards the FSP"

02

The Development of the Customer Outcomes Indicator Framework

An outcomes-based approach starts with a framework that:

1. Defines what good customer outcomes are,
2. Translates this into the business practices, policies and design needed for better customer outcomes and
3. Provides the metrics capable of tracking the customer outcomes.

Defining good customer outcomes (CGAP, 2022)

Based on research across multiple country contexts, standards and guidance issued by standard setters and engagement with FSPs, CGAP identified, from the customers' perspective, intermediate customer outcomes throughout a customer's financial services journey that together, contribute to "meeting the customer's purpose". "Some of the key steps taken were:

- Review of several jurisdictions
- Identified a set of common core outcomes
- Statements and conditions for good outcomes defined
- Framework guiding research into metrics and evidence
- Conditions for customer statements creating indicators
- Applicability to all retail products, providers, jurisdictions

The results were Five Customer Outcomes Statements (Figure 1) articulated from the customer's perspective, that ultimately contribute to "Meeting the Customer's Purpose".

Figure 1: CGAP Customer Outcomes Statements

Customer Outcomes	Suitability	Choice	Fairness and Respect	Voice	Safety and Security
Customer Statements	"I have access to quality services that are affordable and appropriate to my preferences and situation and receive advice and guidance appropriate to my financial situation."	"I can make an informed choice among a range of products, services, and FSPs based ono appropriate and sufficient information and advice that are provided in a transparent, non-costly, and easy-to-understand way."	"I am treated with respect throughout my interactions with the FSP, even when my situation changes, and I can count on the FSP to pay due regard to my interests."	"I can communicate with the FSP through a channel that I can easily access and have my problems quickly resolved with minimal cost to me."	"My money and information are kept safe. The FSP respects my privacy and gives me control over my data"

Meeting the Customer's Purpose: "The right choice of services helps me minimize risks and feel more in control of my financial situation. It helps me balance flexibility and discipline in managing my finances even when my circumstances change, and I am in a better position to meet my short-term financial needs and support my longer-term financial goals."

Source: CGAP, May (2022) Customer outcomes-based approach to consumer protection: A guide to measuring outcomes

Translation into business practices, policies and design needed for better customer outcomes

In order to identify the measurable elements, each customer outcome statement was broken down into underlying sub-statements that effectively address the question of "What customers need for good outcomes". Since the onus is on the FSP to address these needs, each sub-statement was then mapped to "What FSPs need to do to deliver good outcomes".

Figure 2: Customer Outcomes statement translated for FSPs' business model

What customers need for good outcomes				
Suitability	**Choice**	**Safety & Security**	**Fairness & Respect**	**Voice**
Meets my needs and circumstances	Information is available and understandable	Not lose my money in transactions or fraud	Treated with respect without bias or discrimination	Easy communication at low effort or cost
Tailored features, design, and delivery	Access to information is not costly to me	Allowed to test services without risk of loss	My time and resources are respected	I know where to go
My risk tolerance is recognized	I can get it at the time I need it to take an action	My data is secure and guarded from theft/breaches	Service delivery is predictable and consistent	My problems are resolved quickly
My situation and objectives are well assessed	Disclosure allows me to compare	Control over my data		My requests are recorded and followed-up on
Advice is tailored and suitable to my situation	I can reverse my choice or switch easily at low cost			I am asked for feedback and heard follow-up
Meets purpose				
Service gets the job done	Right choice of services helps me to minimise risks	I am in a better position to support my financial goals	I feel more in control of my financial situation	It helps me balance flexibility and discipline

Figure 2: Customer Outcomes statement translated for FSPs' business model

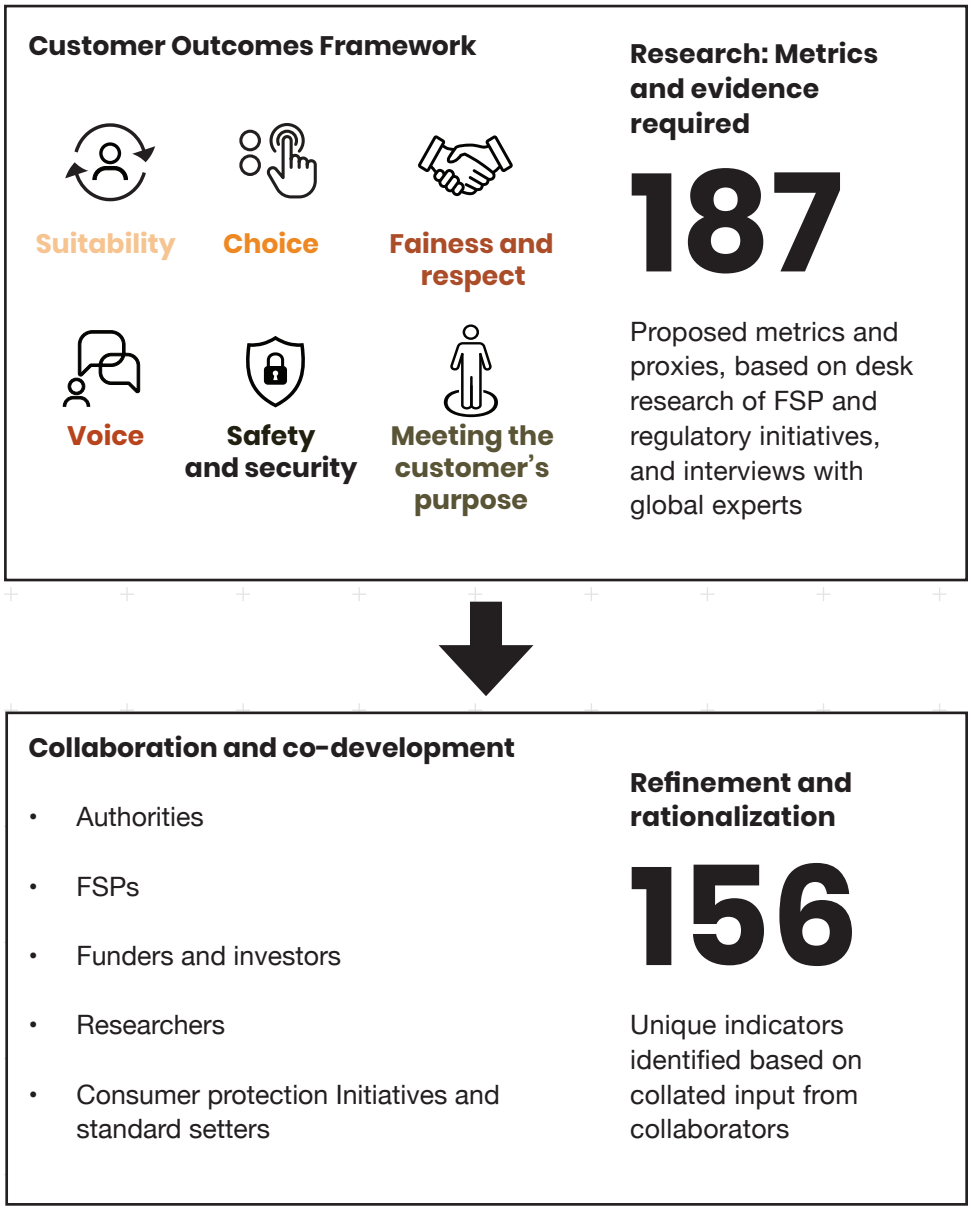
What FSPs need to do to deliver good outcomes				
Suitability	**Choice**	**Safety & Security**	**Fairness & Respect**	**Voice**
Segment tracking, analysis and monitoring	Clear, transparent information	Money kept safe	Dependability through changes	Cost-effect & convenient communication channels
Appropriate features, .benefits & priced for segment needs	Non-obligation & non-restrictive	Privacy and safety of data	Non-discriminatory practices	Efficient resolution within stated timelines
Access at suitable channels	Segment needs-specific options offered	Control over data	Serving all customers without unfair biases	Formal logging, handling and analysis processes
Service quality-CX, processes & usability	Segment-specific advice			Two-way communication & feedback
Meets customer's purpose				
Design of propositions based on needs contribute to good outcome	Market & customer insights to help customers plan for long-term & unforeseen	Go-to-market methods delivering propositions at appropriate access points	Educating & empowering customers to have better control and manage finances better	Dependability through changes in life circumstances resulting in different needs

This customer-company mapping allowed the CGAP team and collaborators to create/collect and attach individual indicators to each customer outcome statement, while interpreting them in a way that FSPs can understand based on their own **business practices, policies and design.**

Developing indicators through a consultative process

The customer outcomes framework, developed by CGAP is based on a review of several outcomes-based frameworks which guided the process for initial research into the metrics and evidence that would be required to meet the conditions of the outcome statements for all types of FSPs operating across all jurisdictions. This was followed by an inclusive workshop and ongoing collaboration with all stakeholders contributing to the refinement of the initial hypotheses.

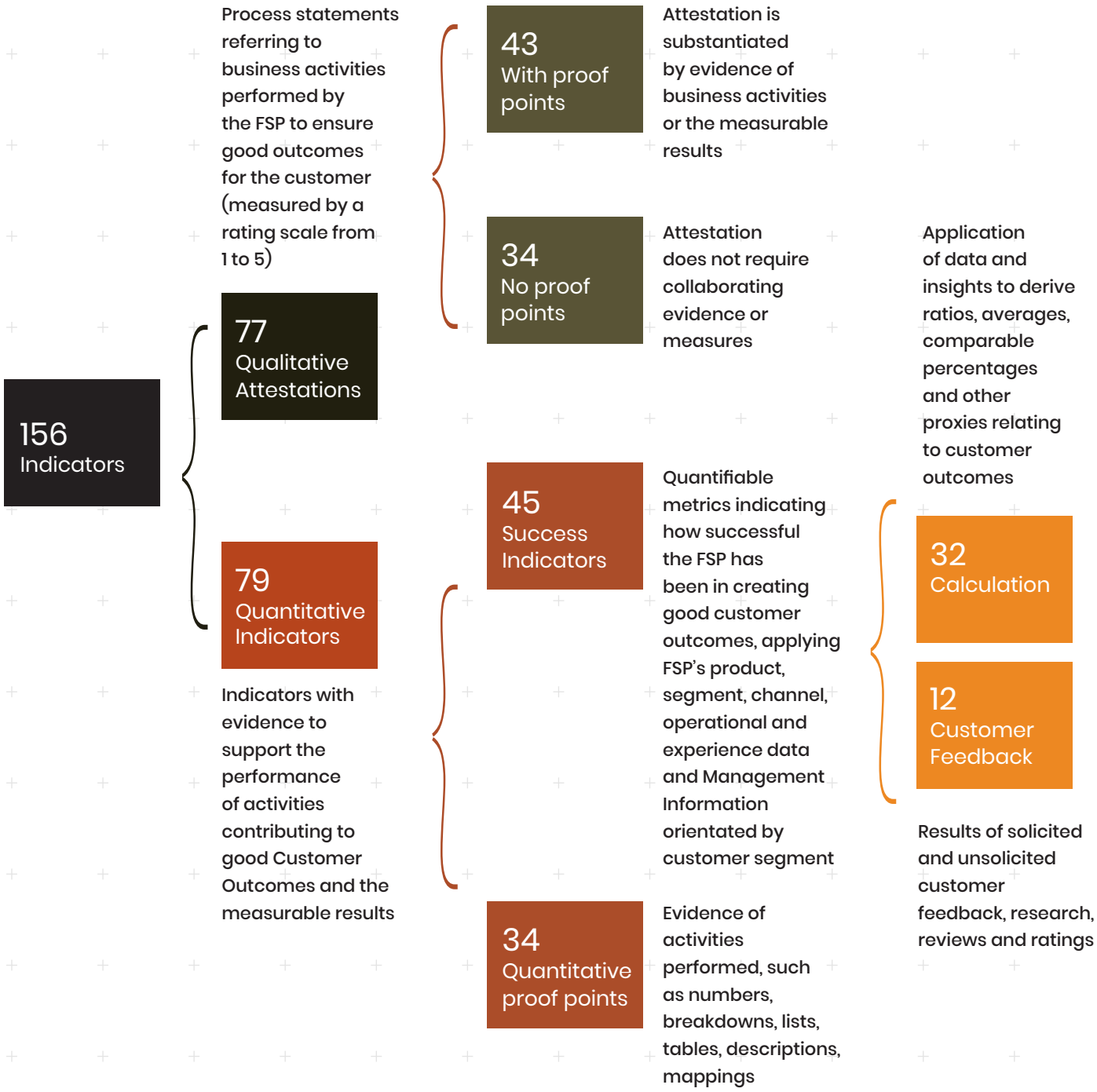
Figure 3: Refining and rationalizing the metrics



Source: CGAP, May (2022) Customer outcomes-based approach to consumer protection: A guide to measuring outcomes

The 156 indicators are made up of both quantitative and qualitative indicators that are further broken down as follows:

Figure 4: Breakdown of the 156 Indicators developed by CGAP



Source: CGAP, May (2022) Customer outcomes-based approach to consumer protection: A guide to measuring outcomes

03 The approach taken in the South African Pilot

Objective: Test the validity and feasibility of indicators and FSPs' ability to gather the required data

Prerequisite: Ongoing dialogue between authorities and FSPs in the context of implementation of a customer outcomes-based approach (under TCF)

Partners: Five FSPs (insurers and full-service retail banks). Market conduct authority (especially regulatory and supervisory staff). Experts (research experts on data and customer experience)

Figure 5: CGAP's recommended Five-Step process

Planned pilot steps and partners involved:

	1	2	3	4	5
STEPS	**Determine customer outcomes relevant for the context**	**Refine outcomes statements into measures**	**Identify, pre-test and select priority composite indicators**	**Collect FSP data to test**	**Analyse results and iterate**
ACTORS INVOLVED	FSPs, market conduct authority (regulators and supervisors), consumer representatives, experts on data and customer experience	Experts (on data and customer experience)	Market conduct authority's supervisors, in consultation with FSPs and supported by experts	FSPs, market conduct authority's supervisors, and experts	FSPs, market conduct authority's supervisors, and experts

Source: CGAP, May (2022) Customer outcomes-based approach to consumer protection: A guide to measuring outcomes 2)

The 20 indicators are organized into 5 parts of a recommended FSP strategy for measuring good customer outcomes. Indicators measuring Suitability, Choice, Fairness and Respect and Voice contribute to "meeting the customer's purpose". Though they are measured by different functional areas, they are linked and interpreted holistically to convey a customer-impact story. CGAP, therefore, requested data points required for the top 20 indicators.

Figure 6: Data narrative emerging from the South African pilot

Part I	Part II	Part III	Part IV	Part V
Understanding customer segments and involvement: Snapshot overview of the customer landscape within the FSP allows for context to guide the interpretation of subsequent indicators	**Optimizing product delivery and longevity:** Customers will retain and use products over time if the products, and the way they are sold, are suitable based on their needs	**Minimizing erosion of income and benefits:** Customers expect products to work as intended and to derive their benefits, whilst being protected from loss of funds	**Lowering cost to serve without sacrificing service:** Customers are guided to use lower-cost channels offered with a level of care and service as equally favourable as that for other channels	**Listening and responding to customers:** When customers need to raise questions, communicate service failures or leave, the FSP should have the operational ability and intent to help
Suitability 1. Segment inflow and outflows 2. Financial vulnerability 3. Cross-sell 4. Charges in relation to customer income	**Suitability** 7.Tenure of products 6. Dormancy and lapse ratios 5. Not-taken-up ratios 8, Performance indicators for sales consultants	**Fairness and respect** 11. Penalty fees and losses incurred by customers 17. Claims ratio, payouts, maturity and renewals 12. Contacting customers, risk/loss alerts 16. Unclaimed balances and benefits	**Choice** 9. Rate of non-face to face confirmation of consents **Fairness and respect** 13. Staff incentives for digital help and education 15. Cost to customer- digital 14. Cost to customer- waiting time	**Voice** 18. Cost to customer, using voice channels 19. Root causes of Top 10 complaints 20. Resolution, routing and escalation of complaints **Choice** 10. Switching and closing cost

Source: Customer outcomes-based approach to consumer protection: A guide to measuring outcomes (May 2022)

Key learnings from the South African Pilot

- The exercise enabled the collection of a third of the data required for the top 20 indicators. This was insufficient to create a pilot group average that individual FSP's performance could be measured against.
- FSPs confirmed that data for all 20 indicators is **available** but not always easily **accessible** especially when housed by different functional units (e.g., customer experience, finance, compliance teams, data).
- Product and channel information, closely linked to regular reporting, was easier to provide.
- Product-agnostic terminology created confusion. More specificity was required.
- FSPs considered data as **meaningful**, but requires **processes and buy-in** across the organization to make data collection work in terms of collaboration, time and resources and to set data protocols for the future.
- The more advanced FSPs were able to provide results of calculations without having to input into the model.

04

Uganda Case Study

4.1 Background and objectives

The **CGAP customer outcome indicator framework** was applied to test the impact of a new basic savings product positioned in the financial inclusion market and designed to encourage digital and/or remote account opening and transactions. As a member of the **WSBI** and part of the **Scale2Save program**, a prominent retail bank volunteered this product for a case study.

The objective was to assess if the CGAP customer outcome indicator framework could be applied as a measuring tool to determine whether or not:

- The design, positioning, performance and management of the product are working as intended;
- The product is indeed improving the lives of target customers;
- The bank is contributing to Uganda's Financial Inclusion goals.

The CGAP customer outcomes indicators are generated from supply-side data and can be used internally by providers to measure their levels of customer-centricity. The ultimate objective, however, is for the jurisdiction's authorities to have a quantifiable, comparable and consistent way to:

- Detect which strategies, policies, practices, activities, products/services work for or against the customer;
- Assess the impact of financial services at a market level for all customer segments, and
- Determine if, and to what extent, providers in the sector are improving or detracting from national goals.

Since the focus of the Uganda case study is Financial Inclusion, focusing on savings, the jurisdiction-specific context was informed by the **Bank of Uganda's (BoU) Financial Inclusion Strategy, 2017**. The five main strategic goals classified twenty gaps that the BoU had set out to address. These gaps were therefore used as the basis to map the global CGAP indicators to Uganda's context.

4.2 Approach and process applied in Uganda

The Customer Outcomes framework, methodology and indicators are still being tested. Uganda, being the second jurisdiction (after South Africa), provided an opportunity to gather new learnings and identify areas for improvement.

CGAP recommends a collaborative and adaptive approach in order to best serve the jurisdictional context. This was especially important given the differences between the countries and the objectives underpinning the test.

Table 1: Main differences between SA pilot and Uganda case study

Main Differences	South African Pilot	Ugandan Case Study
Starting point	• Indicators still in development and refinement phase	• **Menu of 156** indicators from which to select and prioritise the main indicators
Focus	• All retail consumer segments by income band • All retail financial product ranges	• **Financial inclusion**: Gender and Age (Women & Youth) • **One product**: Basic savings account
Testing approach	• 5 FSPs made up of banks and insurers part of pilot • FSCA providing broad local context for all consumers	• **1 retail bank** as case study • **BoU Financial Inclusion Strategy** 2017 – gaps and goals providing context for the local priorities
Timing	• 3 months allocated to gather, verify and analyse data	• **1 month**: to complete the five-step process (Table 2)

CGAP's five-step approach was applied to the Uganda case study with these differences taken into account. Table 2 provides a summary of the activities, collaboration and outputs relating to each step.

Table 2: Overview of the Five-Step process

STEP 1: Determine relevant local context

Regulators: BoU: Financial Inclusion Strategy and discussion
FSP: Discussions and product overview
Market research: MSA, FinScope

Output

Most prevalent issues faced by Financial Inclusion customers and the goals for which measures are required

- We honed-in on financial inclusion goals articulated by the BoU and discussed the gaps identified in the strategy document
- Discussions with the FSP and an early high-level review of the savings product produced a list of the business's challenges and opportunities
- This was supplemented by market research, also focused on savings in the financial inclusion market.

STEP 2: Identify indicators measuring local goals

Mapping of goals & gaps to Customer Outcomes
Selection of relevant indicators
Adaptation to country-specifics

Output

Ugandan-specific quantitative indicator-set to be fed into the prioritization exercise

- The BoU's gaps and FSP's problem statements were analysed and compared with the customer outcomes statements.
- 17 out of 20 of BoU's goals can be measured in part, by at least one of the customer outcomes indicators
- The mapping exercise produced a list of 60 quantitative indicators, of which 31 are 'success indicators' from which to select and prioritise for testing

STEP 3: Identify, pre-test and select priority indicators

Assess feasibility with FSP (*Current-Possible-Aspirational*)
Align FSP, regulator and customer priorities
Rank selected indicators

Output

Prioritised list of the Top 20 indicators

- FFollowing the approach taken in South Africa where the Top 20 was selected from 34 success indicators, the Top 20 in Uganda was selected from the 31 relevant calculable success indicators
- These were discussed with the FSP in order to gauge their ability to provide the data
- Prioritisation was based on a trade-off between importance and feasibility. That is, BoU's priorities, versus the FSP's ability to provide the data.

STEP 4: Request FSP data to input into model		
Structure request according to FSP functionalities **Collaborate** with FSP management and data teams **Check & Test data**	**Output**	**Structured input template with explanations and formulas to identify potential errors**

- Based on the discussions with the FSP's data teams all the required data was possible to obtain but varied in terms of ease and effort.
- The data-request was laid out in an input sheet structured in way to avoid duplications and facilitate reconciliations and sanity checks
- This step involved multiple exchanges and iterations to ensure accuracy when being applied to the calculations

STEP 5: Analyze results and iterate		
Input data to calculation method and derive ratios **Compare** against available norms/benchmark/goals **Interpret** achievement of outcomes	**Output**	**Results of 10/20 indicators based on readily available and verified data**

- Approximately half of all the required data was received before cut-off and found to be reliable.
- The other indicators for which no data was received, was considered possible to obtain but it required co-ordination with other functional units who did not respond to the FSP's data team in time.
- In a parallel process, the corresponding market data was gathered to create the comparative baseline.
- The main demand-side data used by the BoU to analyse and assess the consumer-market context was **FinMark Trust's FinScope** survey.
- In order to align the case study with BoU objectives, FinScope 2018 was used to derive market averages against which the FSP's ratios and averages were compared (where possible).

4.3 Results of data request and testing for reliability of data

Step 3 of the five-step process (Table 2), yielded the prioritized top 20 indicators (Table 3) based on their alignment with the BoU's goals and gaps, and the FSP's initial feasibility-assessment. Based on the final submission, 10 out of the Top 20 could be calculated reliably and the other 10 were found to be more complicated for the FSP to gather the data.

Table 3: Top 20 Indicators

Foundational 10: Reliable data received

1. Segment breakdown
2. Segment inflow & outflows
4. Charges as a % of balance
7. Channel-transaction usage
14. Cross-sell ratios
15. Savings behaviour & interest
16. Product tenure
17. Inactivity
18. Unclaimed balances
20. Exit barriers

Advanced 10: Missing and/or unreliable data

4. Tariff vs Actual
5. Penalty fees & losses
6. Early warnings
8. Financial vulnerability
9. Alternatives after declines
10. Payment flexibility & debt
11. Digital adoption & usage rates
12. Consents- remote
13. Not-taken-up ratios
19. Top 10 complaints

The Foundational Ten:

The final submission of reliable data allowed for ten indictors to be calculated and analysed. They relate to the BoU's:

- Goal 1: Reduce financial exclusion and access barriers
- Goal 4: Deepen and broaden Savings, Investment and Insurance usage
- Goal 5: Empower and protect individuals with enhanced financial capability

The ten completed indicators (Table 4) were found to provide a foundational narrative for savings in the Financial Inclusion market. From the FSP's perspective, they address the basic elements of a value proposition (Segment, Channel, Product, Price) using data that is readily available. They are also very similar to existing business metrics.

From the BoU's perspective, by firstly assessing how FSPs address gaps such as Youth and Women exclusion, high prices, channel access, lack of confidence and products not meeting customers' needs, it allows the authorities to take a practical first step towards measuring financial inclusion goals on an outcomes-basis.

Table 4: Final 10 Indicators representing foundational metrics

	Log	Indicator	Question posed by indicator	BoU Goals and Gaps
Goal 1	1	**1. Segment breakdown**	Does the FSP cater for/serve all consumers in the market and adapt to how income proportions change over time?	Context for all 5 gaps
	2	**2. Segment inflow & outflows**	Does the FSP attract target segments and retain customers throughout their life-cycle, through changes in circumstances & income?	4.Youth exclusion: Inability to open accounts hindering access *(and goal 14)*
	3	**4. Charges as a % of balance**	How much does the FSP charge in respect of fees and net interest in relation to the customers' income?	4. High costs: Limiting financial inclusion
	4	**7. Channel-transaction usage**	Where do customers transact/interact. What jobs do they do? Has there been a migration to lower-cost channel over time?	2. Channel access: Limited availability, especially in rural areas
Goal 4	5	**14. Cross-sell ratios**	Does the FSP deepen the customer's relationship throughout the customer's tenure with additional product holdings?	14. Women exclusion: Limited use of formal savings
	6	**15. Savings behaviour & interest**	Do eligible customers receive the benefits as offered (e.g., interest)? Does this encourage longer-term savings? When savings mature or are fully extracted extracted do they resume savings?	16. Limited confidence: Lacking for formal services amongst pyramid (informal) consumers
Goal 5	7	**16. Product tenure**	Do the products incite loyalty and remain relevant over time?	20. Customer needs: Products generally not meeting consumers' needs
	8	**17. Inactivity**	Do customers make active use of products held and how long into their tenure do products stop meeting needs?	
	9	**18. Unclaimed balances**	What proportion of balances owing to customers are held are in inactive or suspense accounts and how old are they? What proportion of these balances are eroded by fees?	
	10	**20.Exit barriers**	Does the FSP impose barriers to exit such as retaining balances or charging closing fees when customers chose to leave and does the FSP assist with these processes?	

The more advanced ten (compared to the Foundational Ten (Table 4)

The data relating to the outstanding indicators (Table 5) proved to be challenging for the FSP's team to collate. Three indicators relate to Goal 1, and one (Indicator 19: Top 10 complaints) relates to Goal 5. Six of the missing indicators relate to:

- Goal 2: Develop a credit infrastructure for growth
- Goal 3: Build out a digital infrastructure for efficiency

The provision of digital interfaces and the extension of credit to the financial inclusion market are deemed to be more progressive strategies. They currently account for smaller proportions of the consumer market than savings and basic access. The missing indicators are therefore viewed as a 'Phase II' initiative.

Other/more FSPs may provide different insight into how feasible these indicators could be. The case study experience revealed that while the data could be collected, more time and wider team support (Digital, Credit and Finance) was required as many of the variables are not tracked on a regular basis.

Except for (11) Digital adoptions and (19) Top 10 Complaints, the results of the South African pilot also revealed these to be more complex and advanced in terms of data collection.

Table 5: Advanced indicators

	Log	Indicator	Question posed by indicator	BoU Gap
Goal 1	11	**4. Tariff vs Actual**	Are advertised prices for products that are contingent on transaction behaviour a fair reflection of how customers actually transact?	4. High costs: Limiting financial inclusion
	12	**5. Penalty fees & losses**	What proportion of revenue earned relates topenalties & punitive charges?	
	13	**6. Early warnings**	Is the FSP pro-active in informing customers about risks of potential loss detected from behaviours?	
Goal 2	14	**8. Financial vulnerability**	What proportion of customers are deemed to be financially vulnerable and how is this defined by the FSP?	8. Credit Awareness: Lack of public awareness of importance of credit histories
	15	**9. Alternatives after declines**	Does the FSP take additional steps to provide access to products for all types of customers by offering alternatives in the event of declines	
	16	**10. Payment flexibility & debt**	Does the FSP provide customers in financial stress with options for repayment and help rehabilitate the over-indebted?	
Goal 3	17	**11. Digital adoption & usage rates**	Has the FSP ensured usability of their digital interfaces for all customers segments and then ensured that customer do in fact use them	10. Inter-operability: Inadequate within the financial sector
	18	**12. Consents-remote**	When providing remote and digital channels (non-face-to-face interaction), does the FSP actively ensure that consent and agreement is obtained through responsible design?	
	19	**13. Not-taken-up ratios**	What stage in the onboarding journey do customers drop-off, starting with lead/enquiry and ending with active usage?	11. Weak competition: Leading to high prices and poor customer experience
Goal 5	20	**19. Top 10 complaints**	What are the Top 10 complaint-types and root causes and does this trend change over time?	19. Consumer rights Limited protection

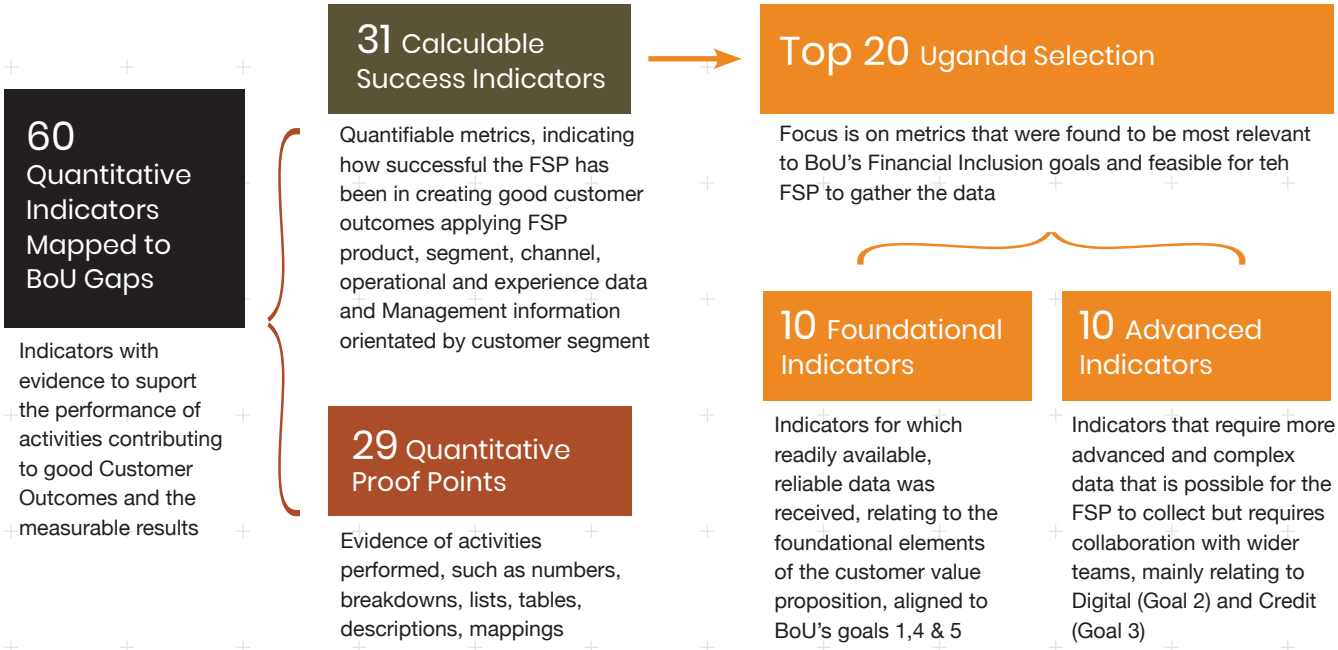
Breakdown of all mapped indicators

The case study focused on quantitative metrics capable of measuring customer outcomes aligned to the BoU's financial inclusion goals. The mapping exercise revealed that sixty CGAP customer outcomes indicators are aligned to BoU gaps (Figure 7).

Thirty-one are calculable success indicators from which the Top 20 selected were found to be both important and feasible. They were deemed important because they are able to contribute to the measurement of BoU's goals from a customer outcomes perspective. Feasibility was determined by the FSP who assessed the underlying data as 'possible' to collect.

In addition to the Calculable Success Indicators, there are twenty-nine Quantitative Proof Points which require the FSP to provide evidence to support the performance of customer-centric activities. These are optional and were not included in the prioritization exercise.

Figure 7: Breakdown of mapped indicators



The data provided by the FSP within the agreed timelines allowed for the calculation of ten out of the top 20 indicators. These are referred to as 'Foundational Indicators' (Figure 7) because the underlying data was found to be reliable and easily accessible by the FSP's data team. In addition, they support the measurement of basic requirements of BoU's goals. From the FSP's perspective, they measure how the main elements of the customer value proposition impact the customer. The 'Advanced Indicators' for which reliable data could not be provided were found to be more challenging for the FSP to collect. These were mainly aligned to Digital services and Lending products.

In addition to the 60 quantitative indicators that were mapped to the BoU's financial inclusion goals, there are also 77 qualitative indicators. These are phrased as statements or attestations requesting the FSP to agree/disagree. Guidance was sought from the South African Conduct Authority's "Treat Customers Fairly" (TCF) framework. These statements can be used in future testing, as a pre-engagement artefact (questionnaire) to gauge the level of customer-centric business practices the FSP is currently performing.

05

Summary of Indicator results and contribution to BoU goals

The final output of process is a 'dashboard' that summarises the results and findings of the indicators. Table 6 is an example of what this could look like using the actual results of the Foundational 10 for which reliable data was found. As seen in Table 6, the summary relates to the BoU's goals 1, 4 and 5 since the indicators were mapped to these goals (Indicators for which no reliable data was received (Table 5: Advanced Indicators) are not included in the dashboard). Refer to Annex 1 for the details relating to each of the completed indicators

Table 6: Dashboard summary of Indicator results- Foundational 10

GOAL 1: Reduce financial exclusion and access barriers

Segment breakdown	Segment inflow & outflows	Charges as a % of balance	Channel-transaction usage
Partially Good	Partially Good	Bad	Good

The FSP's book is favourably skewed to women 30+ and men <30 compared to the breakdown in the market. They have positively contributed to inclusion by attracting cross-sections of the excluded/vulnerable market by providing a KYC lite account and the convenience of remote and digital opening. This is evidenced by positive inflows of younger customers and migrations to more sophisticated, longer-term savings. However, high inactivity, low loans approvals and fewer younger women as clients than market norms have the potential to stagnate progress towards inclusion.

The charges incurred by the customer (non-interest revenue) in relation to the average balance per account, amount to a higher percentage than the assumed market norm. On average, this indicates that customers are transacting at more expensive channels for high-value transactions. On a transaction-volume basis, however, the product-channel design has resulted in successful migration to lower-cost channels.

GOAL 4: Deepen and broaden Savings, Investment and Insurance usage

Cross-sell ratios	Savings behaviour & interest	
Inconclusive: Age and design of product	Overall bad outcome attributed to men segment	Good outcome for Women segment

The product is designed as a 'feeder' into other, more sophisticated products, therefore, the low cross-sell for other savings products was to be expected. The cross-sell of loans, however, was less than the market potential.

A distinct challenge to savings goals is posed if customers withdraw more than they save, resulting in a loss of the interest rate offered. The overall results of the indicator measuring savings behaviour and interest was bad, but when analysed by segment, it was found that women were experiencing good outcomes due to good savings behaviour, earning them close to the offered interest rate. The overall bad outcome is attributable to men.

GOAL 5: Empower and protect individuals with enhanced financial capability

Product tenure	Inactivity	Unclaimed balances	Exit barriers
Pontentially Bad	Bad	Bad	Bad

Product-books skewed towards newer onboardings suggests a dependency on acquisition rather than retention. Products being abandoned, resulting in inactivity is indicative of customers' needs not being met. Customers leaving balances in their accounts (especially those opened more recently) appear to be due to the closing fee which is higher than the average unclaimed balance per inactive account. This creates an exit-barrier for customers.

Segment analyses and key highlights

In addition to the overall results (Table 6) presented in the dashboard summary, the indicators were also calculated for each segment (Women older than 30, women younger than 30, men older than 30 and men younger than 30).

The segment-level analyses is an integral part of the customer outcomes methodology. By applying the same calculations, consistently across all defined segments, we are able to detect if (and how) outcomes vary based on who the customer is. This involved an additional layer of comparisons. At the total-level (Table 6), comparisons were made between the FSP's data and market-data (or assumed norms) to determine the customer outcomes. For the segment analyses, (1) each segment was compared to the other and, then (2) to the total.

By applying the indicators to each segment, several deviations were identified. These deviations were of particular importance to the case study from both the FSP's and BoU's perspectives. The savings product was designed to attract, include and serve vulnerable and excluded segments, specifically defined by gender and age. The BoU's Financial Inclusion strategy also identified women and youth as key target segments for inclusion.

Simply stated, customer outcomes, at the total-level provide the insights for the FSP's entire customer base. However, these results are more often than not, skewed by the segments that make up the majority of the total customer base. In this instance, men made up almost 60% of the savings account holders. It is therefore insufficient, if not inefficient to only analyze totals or a single segment in isolation.

Based on the synthesised results from the segment analyses the following key themes emerged, wherein the outcomes of specific customer segments were different:

- Acquisition and Retention
- Inactivity and unclaimed balances
- Savings behaviour, resultant interest earned and fees charged
- Channel usage

Acquisition and Retention

While the bank has successfully managed to retain women older than 30 and men younger than 30 in higher proportions than the market, the proportion for women younger than 30 still lags behind the market average.

Women and men younger than 30 were targeted in higher proportions than the market movements for these segments. This is due to the bank's acquisition strategy. Part of this strategy is to migrate customers to more sophisticated, longer-term savings products when they reach UGX 4mil. It was found that men were migrated to a much higher extent than women.

It is also a policy to score the savings account customers for loans. Although the overall level of loans granted was less than the market, it was found that women and men younger than 30 were granted loans to a higher extent than older customers.

Inactivity and unclaimed balances

Despite the successful acquisition and migrations of customers, the customer base is subject to high inactivity. Women older than 30 had the lowest deviation from the market ratios. Inactivity ratios for men younger than 30 had the highest unfavourable deviation compared to the market. Based on the analysis of inactivity ratios by segments broken down by tenure bands, it was found that women tend to transact for longer periods than men. Inactive ratios for men were higher in the 7 to 12 months band compared to women.

Only a negligible number of customers actively close their accounts. Most abandon the accounts even if they have balances in them. Unclaimed balances in inactive accounts are to be expected but should not make up a

large percentage of total balances. There was a slight unfavourable deviation from what is considered to be reasonable. While it may be difficult for FSPs to contact customers whose balances are older than 6 months, attempts should be made for unclaimed balances that are < 6 months old. The < 6 months proportion is significantly higher than > 6 months. For women 30+ this difference was the highest. A potential reason why customers do not claim their balances could be due to the closing fees.

Savings behaviour, resultant interest earned and fees charged

One of the stark differences between women and men is related to their savings behaviour. At an overall level, the ratio of withdrawals to deposits is 2:1. The average value of deposits is higher than withdrawals. This average is skewed by lumpsum deposits as the total value is lower than withdrawals. This has resulted in the effective interest rate paid to all eligible customers being much lower than the offered rate. However, when analysing this by segment, it was found that women were receiving close to the offered rate due to better savings behaviour. The average value of deposits made by women younger than 30 is much higher than other segments. This compensates for their 2:1 withdrawal-to-deposit ratio. Although the average value of deposits made by women older than 30 is less than the average value of their withdrawals, their withdrawal-to-deposit ratio is 1:1. The overall bad outcome is largely attributed to men who make up the majority of the customer base. Their poor savings behaviour has resulted in them not earning the offered interest rate.

This has also had an impact on the percentage of charges in relation to average balances. When compared to a norm that is assumed to be reasonable, it was found that this percentage was slightly higher. The deviation was similarly low for women, but the charges in relation to average balances held by men was much higher than women.

Channel usage

Transactional charges are also a function of channel choice. All segments were found to use remote (agent and mobile money) channels significantly more than the branch. Market data revealed that customers <30 use the branch less than 30+. The potential for behavioural change is therefore higher in older segments. Use of agents is relatively low in the market for all segments. The highest deviations were observed for 30+ customers. Since they are using the branch less, agents are the alternative face-to-face interaction they appear to prefer. The highest deviation for use of Mobile Money was found to be for women <30. Behavioural change is therefore higher in mobile for this segment compared to agents.

06

Findings and Learnings

An important aspect of the learning is to assess the FSP's level of diligence and rigour applied to understanding, monitoring and analysing their customers. This is especially pertinent when assessing excluded and/or vulnerable customers who require a higher level of protection and response to bad outcomes.

In the context of the case study, this refers to FSP's tracking of the savings account customers in order to determine if their needs and ultimate purposes are being met in line with the national Financial Inclusion goals set up by the BoU.

Structuring the data request and explaining the context

In keeping with the CGAP approach, figures (where possible) were requested to be broken down by target segments. For the usable data made available, this segmentation was done efficiently:

- Women younger than 30 and Women older than 30
- Men younger than 30 and Men older than 30

Adapting indicators to FSP's data capability

Each indicator is made up of approximately 3 individual data points on average. In order to simplify it for common understanding, the indicators are also defined by questions posed to the provider.

This also allows the provider to gather alternative data, not necessarily included in the main request but could help answer the questions. Several indictors were adapted to apply the information on hand, without altering the objective (question) of the calculations.

Assessment of overall data-gathering experience

As at cut off (19 May 2022), data relating to 10 out of the 20 indicators was provided. Data for an additional 3 indicators was submitted but found to be conflicting/inaccurate. The data team was unable to correct this. Several iterations and reworks were necessary to get to the 10 confirmed indicators. Initial submissions contained fundamental errors that went undetected until the indicator's results revealed them to be unreasonable. Though not ideal, this revealed that indicators can also be used to perform checks and balances for customer-level measurements.

Positive aspects of the learning were:

- Team's ability to breakdown the data by target segment;
- Effectiveness of the indicators to detect significant errors due to illogical/abnormal ratios/averages;
- Most of the data is indeed collected, therefore possible to provide.

Potential risks identified:

- Team was unable to run their own sanity checks or reconciliations with regular reports, therefore unable to detect their own errors.
- The savings account revenue and interest data is aggregated with other products and not reported on separately, meaning that the bank is unaware of how much is earned from (paid by) their Financial Inclusion customers.
- Management team were not responsible for vetting and verifying figures before submissions.

Recommendations to expand Case Study into a Pilot exercise: Phase I and II

- Based on a single case study, the ten completed indicators could form part of a Phase I approach to test if other providers are also capable of providing this type of basic and familiar data at a customer level.
- Discussions with other FSPs to assess what is applicable to their business models are recommended in order to obtain a more representative overview of what is feasible and possible
- If found to be feasible, we recommend a test-round requesting the same data in an expanded pilot.
- We suggest asking questions about the readiness to provide data for the more advanced indicators that were not possible to complete in this case study (relating mainly to Digital and Credit).

07

Indicator Report: Results of Uganda Case Study

7.1 Interpretation of indicators: How good and bad outcomes are determined

The results of calculable success indicators are represented as percentages or ratios. When assessing the results of the indicators, it is essential that a consistent method be applied. Good, bad, neutral (on par with market or national average) assessments are based on a comparison between the FSP and the chosen benchmark. Depending on whether or not market data is available and the number of FSPs included in the study, there are two recommended options.

Option 1 (Table 7) is the recommended choice if the jurisdiction has the comparable market data on hand. Uganda was included in the FinMark Trust's FinScope survey, making this the chosen option for the case study. In certain instances, no market data could be found therefore assumed norms were applied. Furthermore, since the case study related to only one FSP, results could not be compared with other FSPs.

Table 7: Illustrative example- Interpretation of indicators when compared to market data

Option 1: Approach when market data is available

	Market	Bank 1	Bank 2	Bank 3
Inactivity	32%	25%	45%	31%
Deviation from market		-7 ppt	13 ppt	-1 ppt
Assessment		< Market	> Market	< Market
Outcome		Good	Bad	On Par

This method can also be used when benchmarks, targets and goals are set.

Limitations:
- Not always aligned/comparable with FSPs
- Timing is mismatched
- Does not include operational, CX, financial data

Option 2 (Table 8) is the recommended choice if the exercise includes numerous FSPs individually providing a sufficient amount of data that can be used to calculate an aggregated national average. This approach was attempted in the South African pilot but could not be done as there was insufficient data to calculate a reliable national average.

Table 8: Illustrative example- Interpretation of indicators when a national average can be calculated

Option 2: Approach based national average or norm

	Bank 1	Bank 2	Bank 3	Average
Inactivity	25%	45%	31%	34%
Deviation from market	-9 ppt	11 ppt	-3 ppt	
Assessment	< Market	> Market	< Market	
Outcome	Good	Bad	Bad	

Suitable to assess status quo and to determine a market norm, especially in early days of implementation.

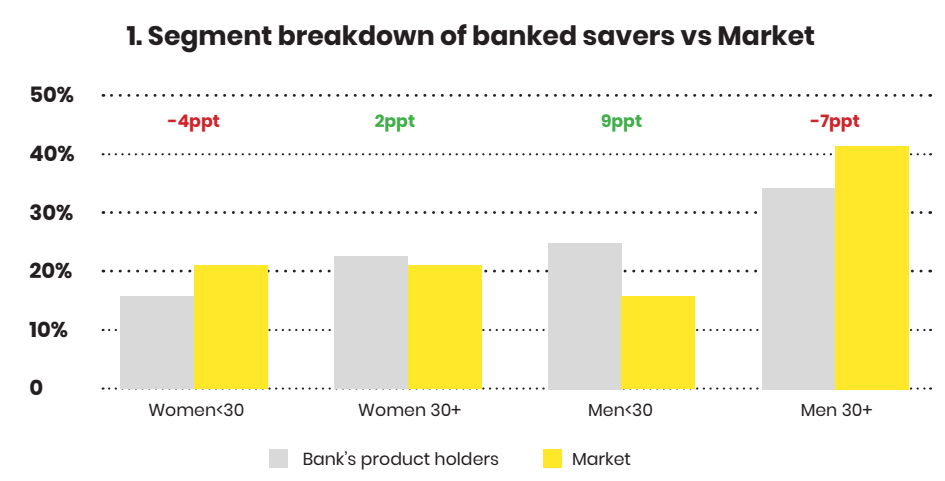
Limitations:
- Market norm is not necessarily 'good'
- Requires all FSPs to input all data points
- Lacks goal-setting quality

7.2 Analyses and conclusions

Goal 1: Reduce financial exclusion and access barriers

1. Segment breakdown of Financial Service Provider compared to bank

Question posed	Does the FSP cater for/serve all consumers in the market and adapt to how income proportions change over time?
Indicator description	Number & percentage breakdown of customers in each defined segment and comparison to consumer market breakdown & changes in these trends over time.
Data/variables required	In respect of the case study the defined segments are: 1. Women younger 30 — Yes 2. Women older than 30 — Yes 3. Men younger 30 — Yes 4. Men older 30 — Yes
Rationale	Comparing the shape of the FSP's customer base to the breakdown in the market allows for an assessment of • how representative the FSP is compared to market, or • how focused the FSP is on a specific market segment • whether or not the FSP ring-fences financially vulnerable customers in a unique segment since they require a different level of care
Good outcome	Bank's proportions of women and youth are higher than the market proportions
Outcome	Suitability



Partially good

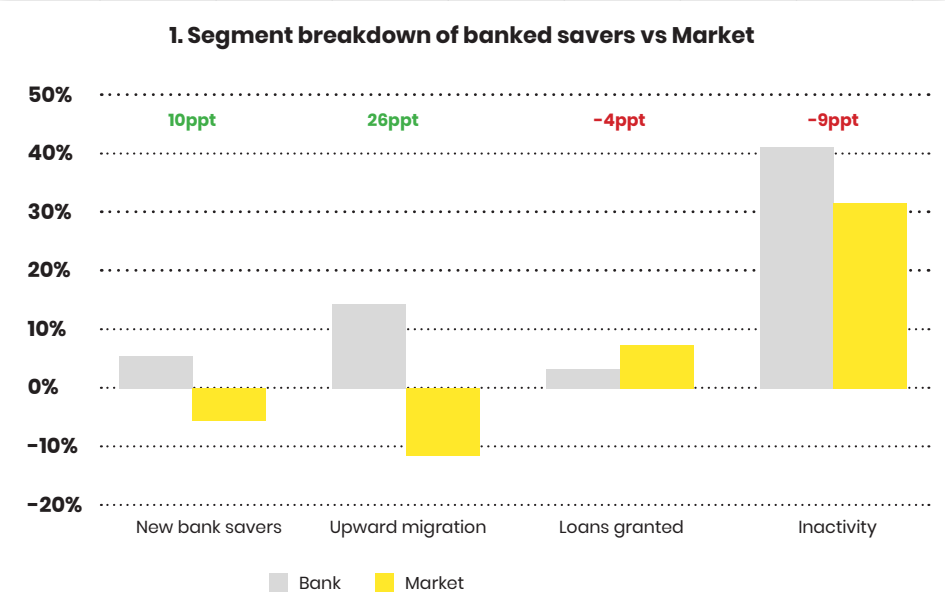
The shape of the FSPs' customer books is typically subject to the natural shape of the consumer market. In this instance, adults, older than 18 years who save at banks.

The FSP's customer base, broken down into the target segments compared favourably against the market proportions for women older than 30 (2 ppt higher than market) and men younger than 30 (9 ppt higher than market).

The proportion of women younger than 30, however, was 4 ppt less than the market proportion. This segment is considered to be one of the most financially vulnerable, hence challenging to acquire. The current market proportion, however, suggests that there is opportunity for savings product to grow this segment.

2. Segment inflow & outflows

Question posed	Does the FSP attract target segments and retain customers throughout their life cycle, through changes in circumstances & income?
Indicator description	These numbers were used to calculate percentages to the total customer base and then compared to the corresponding market percentages. The following number of customers who:
Data/variables required	1.Are new-to-bank, savings accounts holders: Yes 2.Were migrated to more appropriated savings account once balances exceed a threshold: Yes 3.Were granted Loans: Yes 4.Are inactive due to not making use of the account: Yes
Rationale	The rate of organic segment migration indicates: • how successful the FSP has been retaining the customer through life-stage changes & event • how active & vigilant the FSP has been in collecting, monitoring and tracking changes in customer data Note: *Segment migrations due to changes in segmentation rules/definitions should be view separately to migrations due to changes in the customers' life*
Good outcome	% of new-to-bank savers are more than market changes, are active and progress to more sophisticated products as needs and circumstances changed
Outcome	Suitability
BoU Gap	5. Youth exclusion: Inability to open accounts hindering access



Overall Assesment
Partially Good

Good	
New to bank	Good upward migration
Bad	
Loans granted	Inactivity

BoU Gap

5. Youth exclusion: Inability to open accounts hindering access

14. Women exclusion: Limited use of formal savings

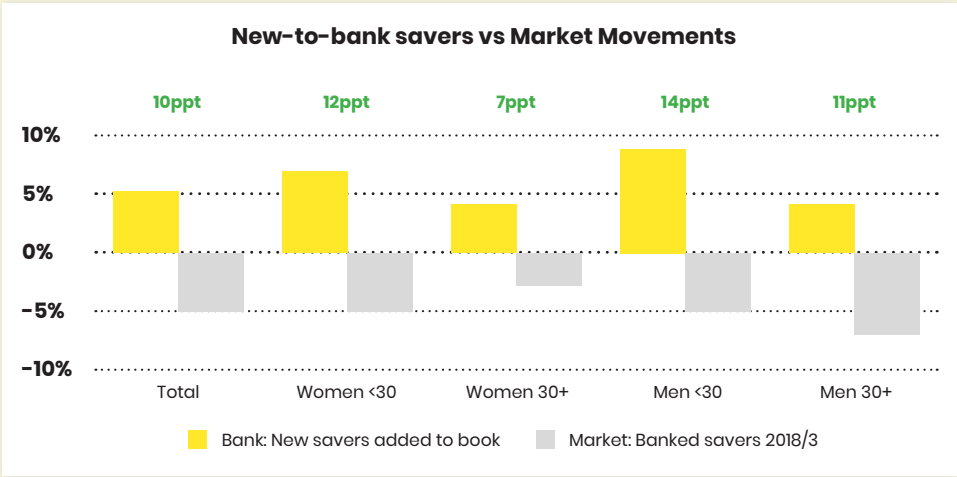
CGAP Outcome: Suitability

Partially good

The shape of the FSPs' customer books is typically subject to the natural shape of the consumer market. In this instance, adults, older than 18 years who save at banks.

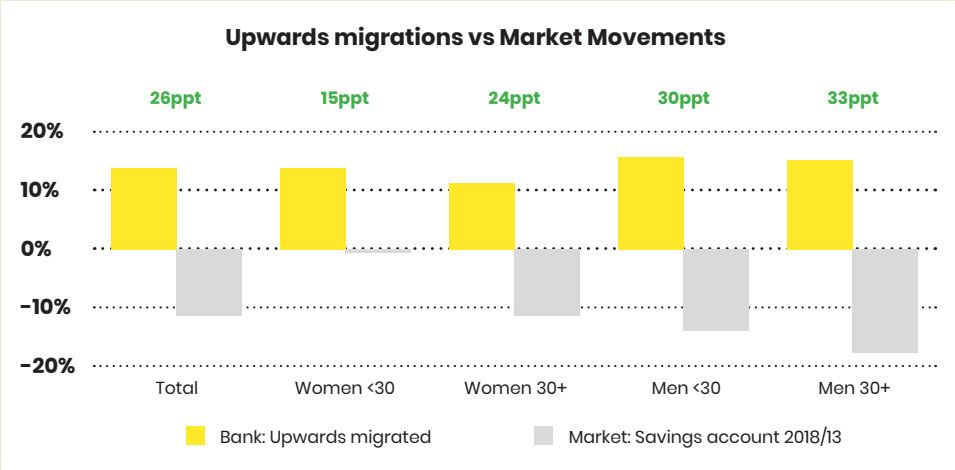
The FSP's customer base, broken down into the target segments compared favourably against the market proportions for women older than 30 (2 ppt higher than market) and men younger than 30 (9 ppt higher than market).

The proportion of women younger than 30, however, was 4 ppt less than the market proportion. This segment is considered to be one of the most financially vulnerable, hence challenging to acquire. The current market proportion, however, suggests that there is opportunity for savings product to grow this segment.



New-to-bank acquisitions of women (12 ppt) and men (14 ppt) younger than 30 had the highest favourable deviations from the market movements.

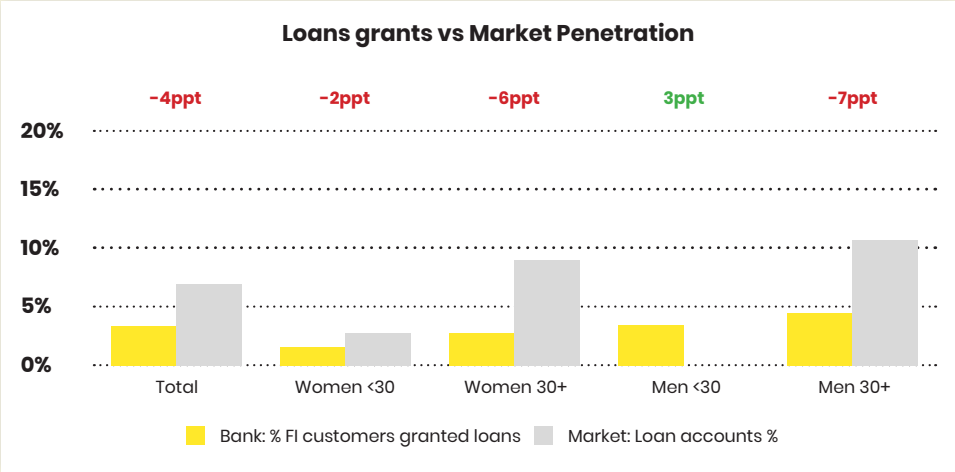
This implies that the banks efforts to attract younger savers has been successful



The results for upward migration were higher than the market movements for all customer segments, except for women.

Migrations for women < 30 and 30+ were 15 & 24 ppt higher than market respectively. However, men <30 and 30+ was 30 & 33 ppt respectively.

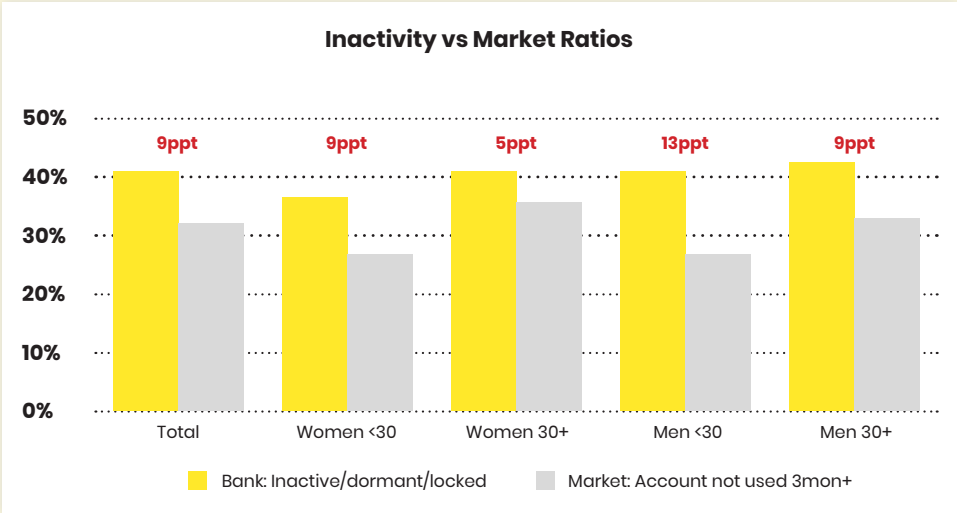
This implies that the banks efforts to attract younger savers has been successful



Despite the overall bad outcome for loans, the deviations for customers <30, were lower than customers 30+

This means that younger savings account customers are closer to market trends for loan uptake than older customers.

Note: Market data for men <30 appears unreliable



The deviation of inactivity ratio is highest for men younger than 30 (13 ppt), meaning that these customers are abandoning their accounts far more than the average in the market and the other segments.

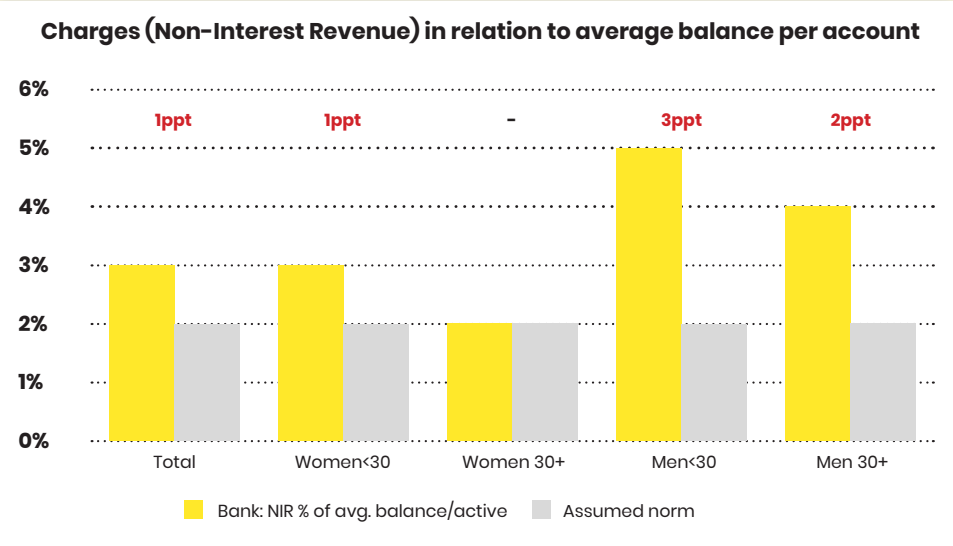
Though, still unfavourable, women 30+ have the lowest deviation of 6 ppt.

3. Charges as a percentage of average balances held per customer

Question posed	How much does the FSP charge in respect of fees and net interest in relation to the customers' income?
Indicator description	The original indicator is "Charges as a percentage of the customer's personal monthly income". Since personal income was not captured for the FSP's customers, the denominator was changed to average balances per customer. These proportions are compared to an assumed market norm. *Note: Market data or national benchmarks relating to these items were not readily available. Ratios are based on assumptions from bank's data and used for demonstration purposes*
Data/variables required	

1. Average balance per customer segment	Yes	
2. Net interest income earned per segment	No	Available
3. Non-interest revenue earned per segment	Yes	
4. Topline revenue earned per segment (2+3)	?	Unreliable- NII unconfirmed

Rationale	The percentage of monthly FSP costs to the customers' average balance is an indication of how "fair & reasonable" the product prices are for different segment catering for different levels of affordability. • To isolate the contributors, the total/aggregated costs need to be broken down by all the products held and components of total revenue earned • Comparison allows for a ranking of the FSP and possible benchmark TBD • Changes over time indicate whether or not the FSP has become more or less cost effective
Good outcome	Percentage of income earned from the customer in relation to average balance is reasonable compared to norm or target set by the FSP and/or authorities.
Outcome	Suitability
BoU Gap	4. High costs: Limiting financial inclusion
Linkages	7. Channel-transaction usage



Overall Assesment
Bad

Women <30 Good

Other Segments Bad

BoU Gap
4. High costs: Limiting financial inclusion

CGAP Outcome
Suitability

The fairness of charges incurred by customers is typically determined by calculating the percentage of the customer's monthly income that is paid towards bank charges and interest. 2% is anecdotally considered to be reasonable, but this is not an official benchmark. Customers' income is not captured by the FSP for savings account-holders, and the net interest income figures could not be confirmed. The indicator was therefore adapted to Non-Interest Revenue as a percentage of average balance per account.

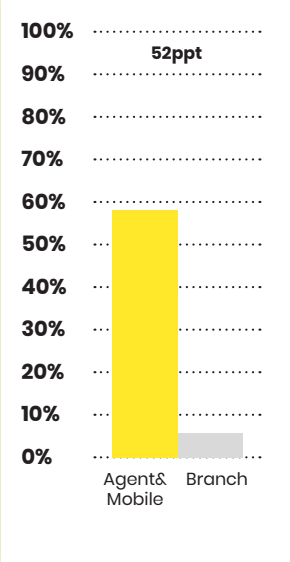
The percentage of charges paid by the savings account customers is 1 ppt higher than the assumed norm. The deviations for men are 3 and 2 ppt higher. The deviation for Women older than 30 was on par with the assumed norm.

This means that the transaction behaviour of men is resulting in higher charges than the expected norm.

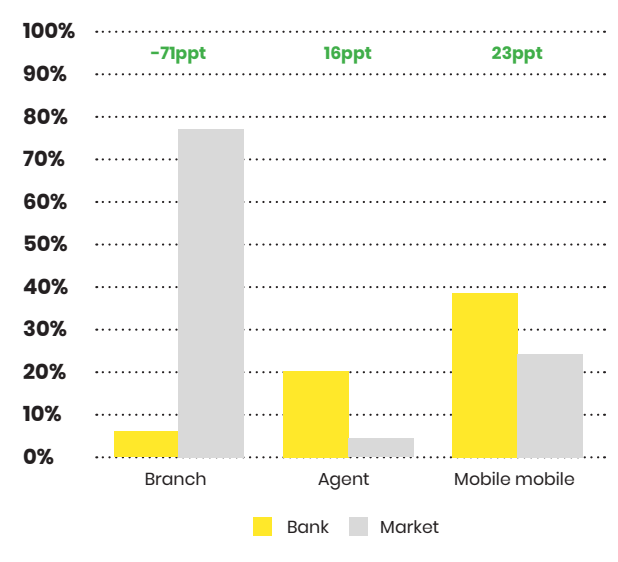
7. Channel-Transaction usage

Question posed	Where do customers transact/interact. What jobs do they do? Has there been a migration to lower-cost channels over time?	
Indicator description	Percentage breakdown of transaction volume by type and channel compared to (1) market breakdowns and (2) higher-cost channels vs lower-cost remote channels	
Data/variables required	1. Number of transactions performed at available channels Transactions: Cash Deposits, Cash withdrawals, Funds Transfers, Balance enquiries Channels: Branch, Agent, Mobile Money	Yes
Rationale	This is an indicator of how new channels have been equipped to process transactions or provide services to customers who prefer self-service or who cannot reach physical channels easily It is proxy for how successful the FSP has been in educating and encouraging customers to use lower cost/digital channels	
Good outcome	Based on the savings product design and intent, if customers are making use of lower-cost channels in higher proportions compared to higher-cost channels, as well as the market proportions, then customers are using the product as designed/intended	
Outcome	Suitability	
BoU Gap	2. Channel access: Limited availability, especially in rural areas	
Linkages	3. Charges as a percentage of average balances held per customer	

Remote vs Branch



Channel usgage- comparison with market



Overall Assesment
Good

BoU Gap
4. High costs: Limiting financial inclusion

CGAP Outcome
Suitability

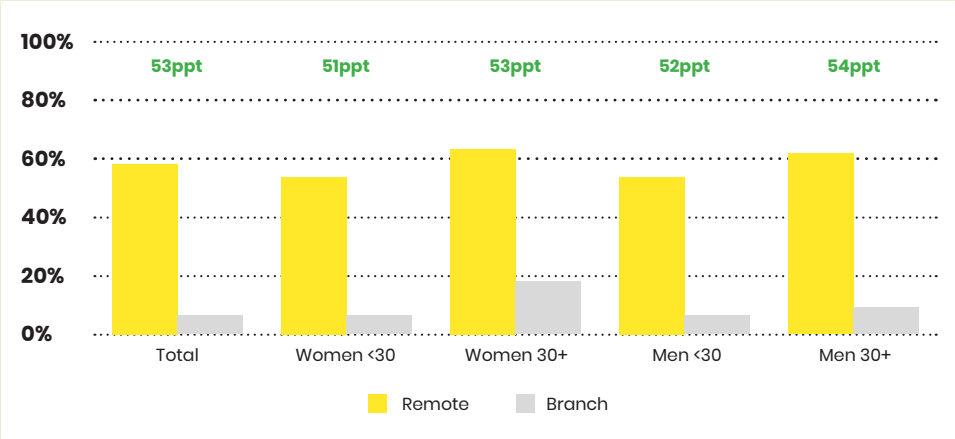
Good

Both the bank and BoU are aligned in their goal to provide better channel access to customers. The savings product encourages the use of remote channels more than branches which have a higher cost to serve.

The percentage of transactions performed at remote channels (Agents and Mobile Money) was 52 ppt higher than the percentage of transactions performed at the branch. This means that the FSP's channel strategy has resulted in a good customer outcome, wherein customers are using lower-cost channels.

The deviations between the bank's channel usage compared to market percentages reiterate the good outcome. Branch usage was 71 ppt less than the market. Agent usage was 16 ppt higher than the market and Mobile Money was 23 ppt higher than the market.

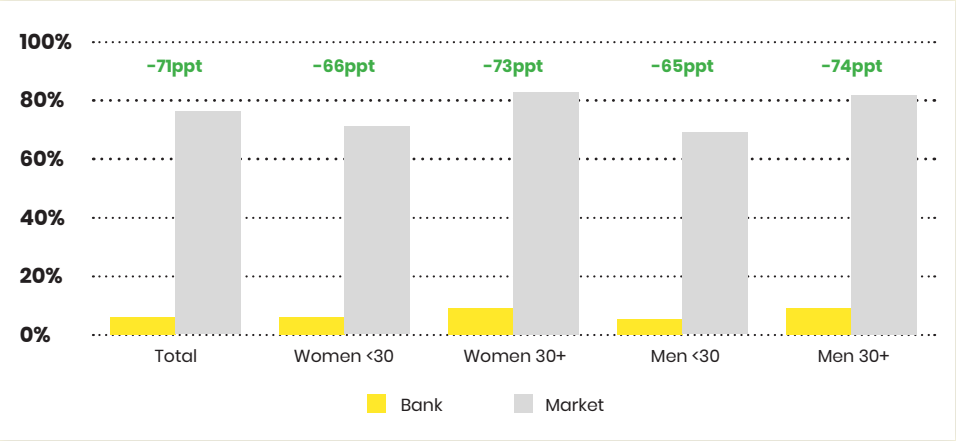
Remote (Agent and mobile) vs branch



All segments were found to be using remote channels (agent and mobile money) significantly more than the branch.

The deviations were more than 50 ppt for all segments, men 30+ using remote channels 54 ppt more than the branch.

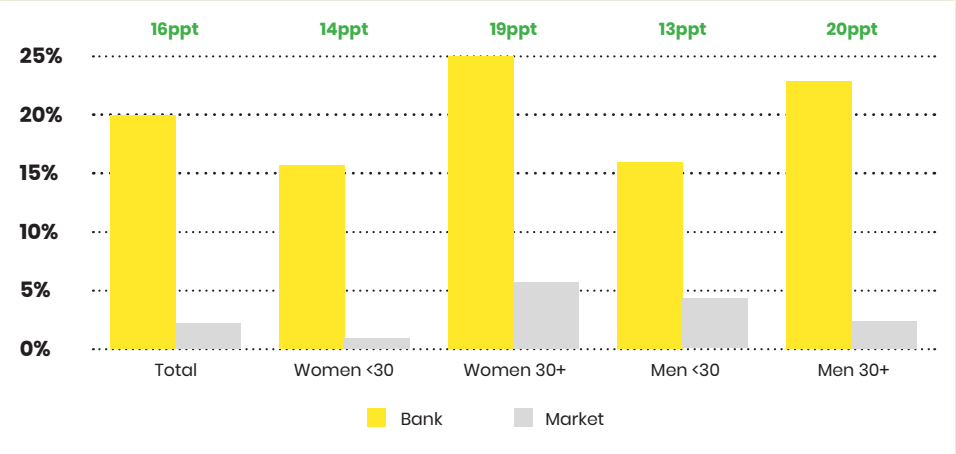
Branch: Difference compared to market



Market data revealed that customers <30 use the branch less than 30+. The potential for behavioural change is therefore higher in older segments.

Deviations for <30 customers, were 66 & 65 ppt, compared to 30+ customers who had 74 ppt.

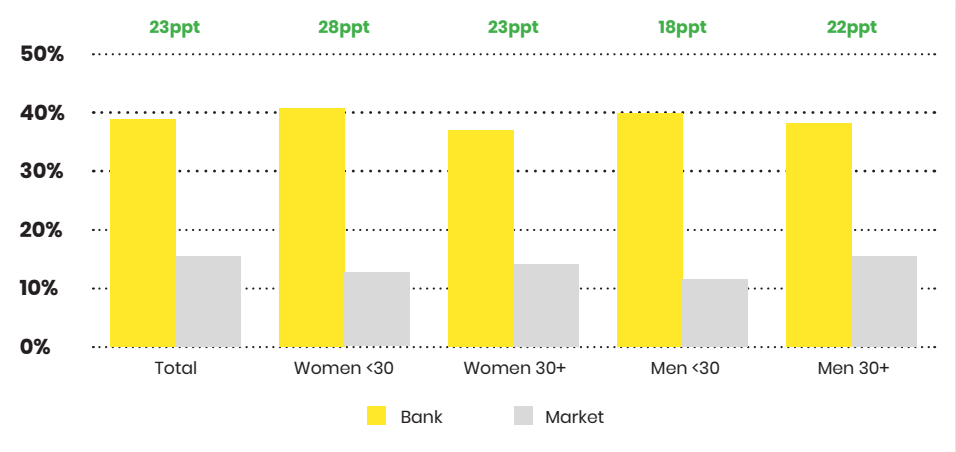
Agent: Difference compared to market



Use of agents is relatively low in the market for all segments. The highest deviations (19 & 20 ppt) were observed for 30+ customers. Since they are using the branch less, agents are the alternative face-to-face interaction they appear to prefer.

Deviations for younger customers were 14 & 13 ppt

Mobile Money: Difference compared to market



The highest deviation for use of Mobile Money was found to be for women <30 (28 ppt). Behavioural change is therefore higher in mobile for this segment compared to agents.

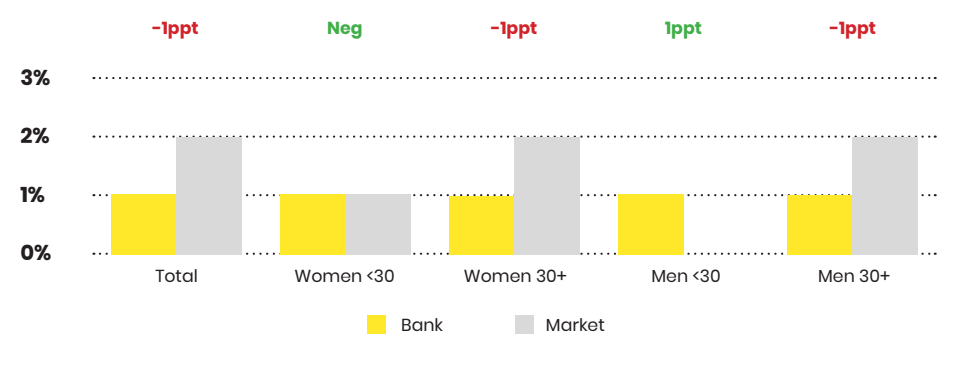
Men <30 had the lowest deviation of 18 ppt due to already high market behaviour.

Goal 4: Deepen and broaden Savings, Investment and Insurance usage

2. Cross-sell ratios

Question posed	Does the FSP deepen the customer's relationship throughout the customer's tenure with additional product holdings?
Indicator description	The number of products held per customer compared to the market averages. Since the savings product is aimed at the financial inclusion segment, these customers are not expected to have high cross sells. The savings product is also scored for loans. The indicator was there adapted to calculate the percentage of the customers who hold other savings accounts and loans. These percentages were compared to market percentages
Data/variables required	1. Number of customers holding the savings product: Yes 2. Number savings account customers who have other savings products: Yes 3. Number savings account customers who have a loan: Yes
Rationale	A comparison of the number of products held per segment is an indication of how successful the FSP has been in increasing the level of financial involvement with products that customers find relevant.
Good outcome	If the percentage of product penetration into the customer base is similar or higher than the market ratios Note: *Since income levels are unknown, the corresponding market data could not be aligned to match the FSP's savings account customer base. The comparisons are therefore not perfectly matched*
Outcome	Suitability
BoU Gap	14. Women exclusion: Limited use of formal savings
Linkages	2. Segment inflows and outflows

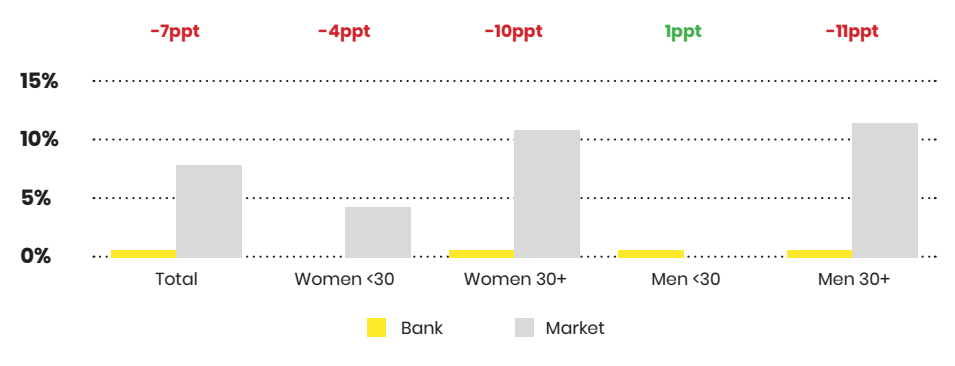
Other savings: Bank vs Market



The savings product was designed more for migration than for Cross-sell. Nevertheless, it was found that a small percentage of customers do hold more than one savings account.

Deviations from market were found to be either 1 ppt or negligible

Loans: Bank vs Market

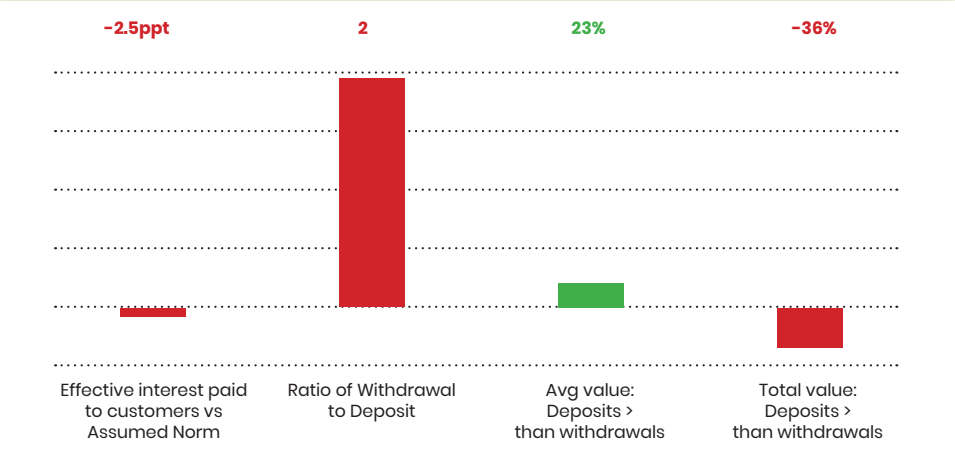


Cross-sell of loans to savings customers was below market penetration for all segments. The deviation for Men <30 was calculated as 1 ppt more than market, however, the market data in this instance may require interrogation as the loan penetration rate appears to be negligible in the market.

3. Savings behaviour & interest

Question posed	Do eligible customers receive the benefits as offered (e.g. interest)? Does this encourage longer-term savings? When savings mature/full extracted do they resume savings?
Indicator description	This indicator measures two interlinked components. (1) If customers derive the benefits. In this case, interest and (2) if customers maintain their savings balances for a longer period. Part (1) calculates the effective interest rate paid to eligible customers (balances >2k) and compares it to the interest offered (3%). Part (2) compared inflows (Deposits) vs outflows (Withdrawals). Finally, the resumption of savings after accounts are depleted and inactive is assessed
Data/variables required	1. Number of customers eligible for interest (Balances >2k and active) — Yes 2. Total value of interest paid to customers — Yes 3. Volume and Value of Deposits made — Yes 4. Number of customers with inactive accounts who make deposits again — No — Not tracked
Rationale	To determine if the savings product is contributing to longer-term savings, this indicator measures if the benefits (interest) are realised by customers. This is dependent on how much and for how long customers save. The indicator, therefore, also serves as a detection mechanism to identify if customers are withdrawing (spending) more or less than they deposit (saving). Since the product is positioned in the financial inclusion market where inactivity tends to be high, the indicator includes an assessment of whether or not customers resume savings after periods of inactivity.
Good outcome	If the effective interest rate paid to eligible customers is similar to the rate offered If deposits are more than withdrawals If customers with inactive products resume savings after a period of time
Outcome	Fairness & Respect
BoU Gap	16. Limited confidence: Lacking for formal services amongst pyramid (informal) consumers
Linkage	1.Segment breakdown

Savings behaviour & interest

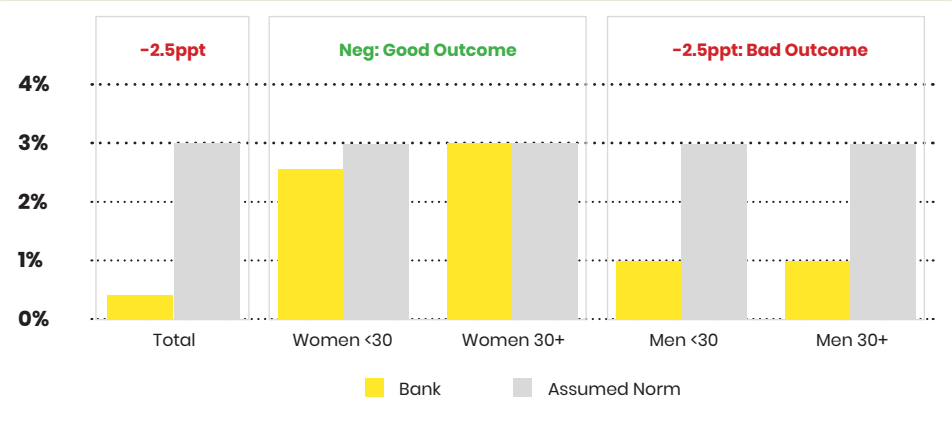


Bad

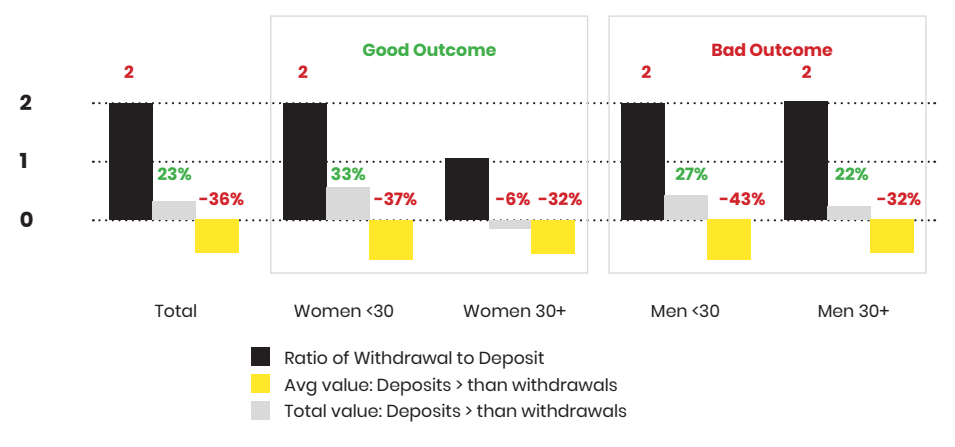
According to the product's policy, active customers with balances higher than UGX 2k are eligible for interest. Based on the total value of interest paid out, the effective rate was found to be 2.5% less than the offered rate. This is typically a result of withdrawals being more and higher than deposits.

Based on the transactional data, the ratio of withdrawal-to-deposit was 2:1. Though not ideal for a savings account, this is considered reasonable for a basic transactional account. The average value of deposits was 23% more than withdrawals. However, in total, the deposit value was 36% less than the withdrawal value. The average values are therefore skewed by lumpsum deposits, implying customers are not saving enough to earn the interest, but may not understand the impact of their transactional behaviour.

Effective interest paid to customers vs Assumed Norm



Deposit and Withdrawal behaviour



Analysing the interest and deposit-vs-withdrawal results by segment revealed that the overall bad outcome is attributable to the customer segment of men, who make up the majority of the customer base. Men are earning 2 ppts less than the offered rate. This is due to the combination of the 2:1 ratio for withdrawals-to-deposits and their average deposit values not being high enough to compensate. The average deposits value for Men <30 was higher than deposits. It is, however, likely that this average is skewed by high-value, lumpsum deposits, because the total value of deposits was significantly less than withdrawals.

Women, on the other hand did receive close to the offered rate, on average. They displayed good savings behaviours in different ways. Similar to men, Women <30 also had a 2:1 withdrawal-to-deposit ratio, but the average value of their deposits was far higher than men. This means, that, on average they were able to maintain balances high enough to earn interest. The inverse scenario was found for Women 30+. This segment's withdrawal-to-deposit ratio was 1:1. Even though the average value of the deposits was less than their withdrawals, their accounts were likely to be less erratic, hence earning them the offered interest rate.

Women, on the other hand did receive close to the offered rate, on average. They displayed good savings behaviours in different ways.

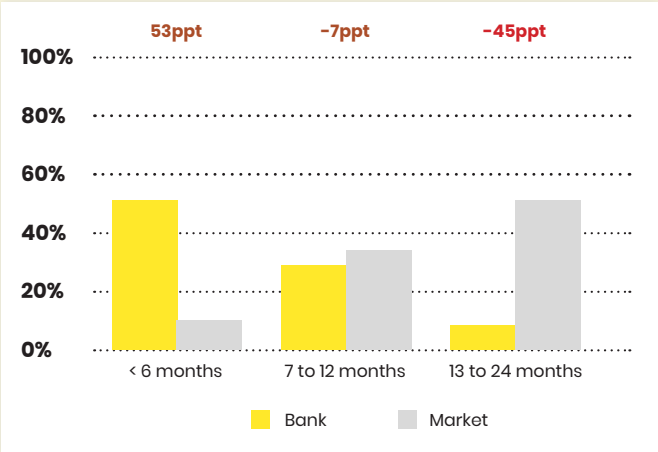
Similar to men, Women <30 also had a 2:1 withdrawal-to-deposit ratio, but the average value of their deposits was far higher than men

Goal 5: Empower and protect individuals with enhanced financial capability

4. Product tenure

Question posed	Do the products incite loyalty and remain relevant over time?
Indicator description	The total product volume on hand, broken down by tenure bands compared with market breakdowns. These breakdowns indicate if there is a reasonable balance between products held for longer periods and newly opened products. NOTE: *The savings product is only two years old. It is therefore expected that accounts will be skewed to shorter tenure periods* NOTE: *The following tenure bands were requested, but in order to compare with the market data on hand, the matched bands were <6 months; 7 to 12 and 13 to 24*
Data/variables required	1. Less than 3 months: Yes 2. 4 to 6 months: Yes 3. 7 to 12 months: Yes 4. 13 to 24 months: Yes
Rationale	If the breakdown is skewed to newer accounts, it implies that product volume is more dependent on new sales and longer-standing customers are closing/abandoning their accounts implying needs no longer being met or a lack of maintaining the customer relationship. This is subject to the sales strategy of the FSP and how customers in these segments typically behave.
Good outcome	Proportion of products in older tenure bands are in line with market norm.
Outcome	Suitability
BoU Gap	20. Customer needs: Products generally not meeting consumers' needs
Linkages	

16. Tenure breakdown of product volume: Bank vs Market

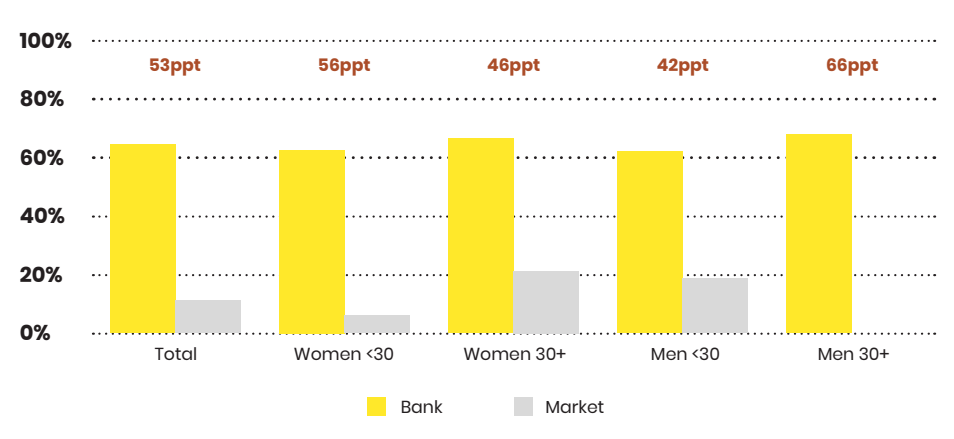


Given that the product is only two years old, it is expected that the ageing of the book will be skewed towards newer customers due to active sales campaigns. Therefore, the deviations for the < 6 months and 7 to 12 months bands cannot be fairly assessed as a bad outcome yet.

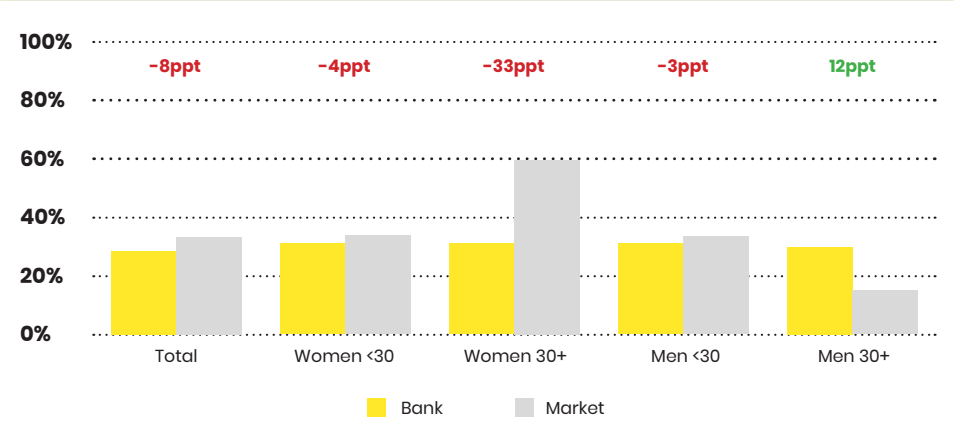
However, the 53 ppt positive deviation in the < 6 months band compared to the 45 ppt negative deviation in the 13 to 24 months band does infer that longer-standing customers are not being retained and the size of the book is largely dependent on sales to new customers.

From the bank's perspective, this could have adverse cost implications for cost-to-acquire is typically far higher than retention. From the customer's perspective, aggressive sales drives can incite miss-selling that goes unchecked if high levels of attrition are considered acceptable for longer-standing customers.

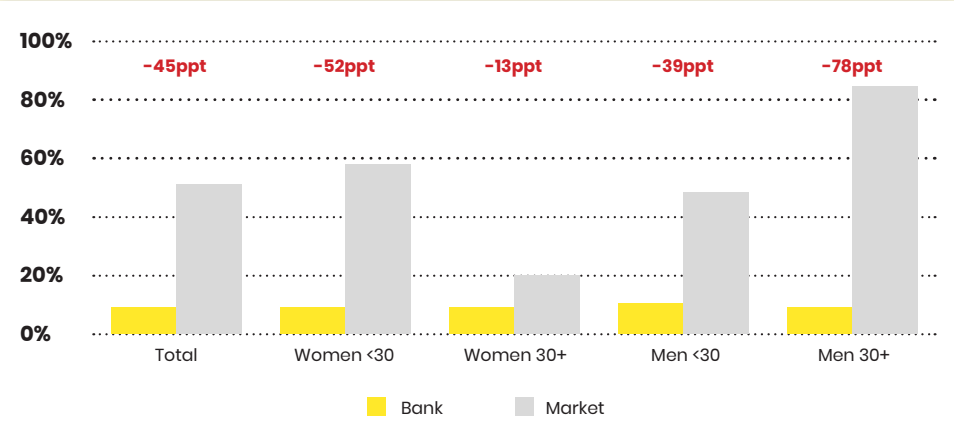
Less than 6 months



7 to 12 months



13 to 24 months



Insights into tenure bands by segments

Savings accounts ideally, should have longer tenures. This is beneficial to both the

Bank: Customer and balance retention

Customer: Longer-term savings earning interest and better resilience

This, being a new product where customers are migrated to other savings accounts, it is expected that accounts will have shorter tenures especially for younger customers who are the primary target market. As the product ages the shape should be similar to the market tenures to display a balance between acquisition and retention.

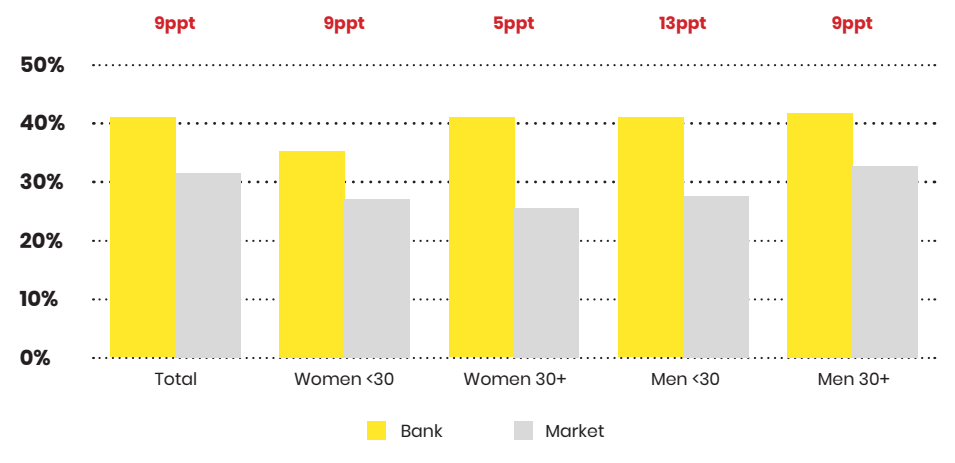
Men 30+ have the highest deviations from the market. While it is favourable that the 7 to 12 months band is 12 ppt more, accounts in 13 to 24 are 78 ppt less than the market. This suggests that Men 30+ abandon the product after a year, in much higher proportions than the market average

Women 30+ tend to have the shorter tenures, mainly in the 7 to 12 months band, but the savings account customers are 33 ppt less than the market. Favourably, 13 to 24 months has the lowest deviation (13 ppt) from market compared to other segments meaning that this segment is more in line with the market in this band.

5. Inactivity

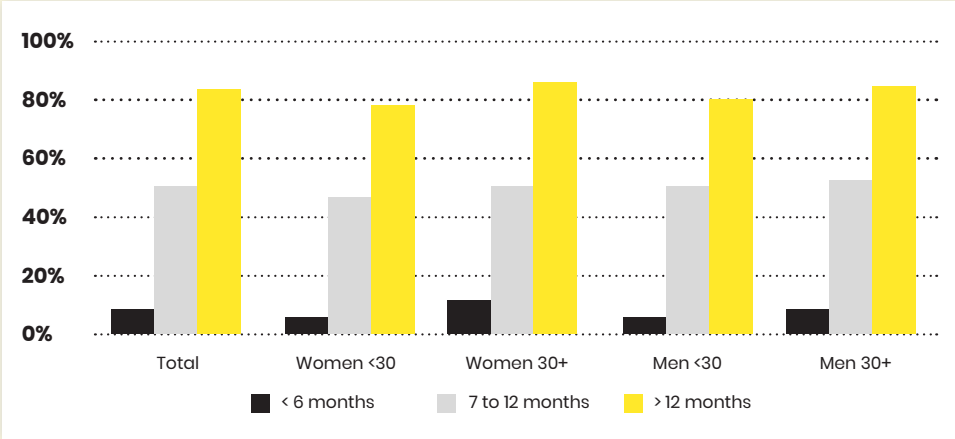
Question posed	Do customers make active use of products held and how long into their tenure do products stop meeting needs?
Indicator description	The proportion of total accounts that are inactive compared to the market ratio. The inactivity ratios for tenure bands compared to the overall ratio. Breakdown of total inactive accounts into tenure bands
Data/variables required	1. Total number of Inactive accounts — Yes 2. Inactive accounts that are less than 3 months old — Yes 3. Inactive accounts that are 3 to 6 months old — Yes 4. Inactive accounts that are 7 to 12 months old — Yes 5. Inactive accounts that are 13 to 24 months old — Yes
Rationale	• Overall inactivity indicates the level of customers' disengagement from FSPs and/or customer needs not being met. • These ratios presented according to tenure (the length of time the customer has been with the FSP) is an indicator of mis selling if abandoned in the first three months. • Inactivity for customer with longer tenure is an indication that the product's suitability has declined. This is also an indication of changes in life circumstances, affordability or the results of dissatisfaction • It is an indicator of products that are no longer relevant/suitable to certain customer segments
Good outcome	Inactivity ratios are in line or lower than market norm. Diagnostic insight: Inactivity for lower tenures indicates the possibility of miss-selling. Inactivity at higher tenures could indicate a lack of suitability and/or active management of the customer relationship and needs not being met.
Outcome	Suitability
BoU Gap	20. Customer needs: Products generally not meeting consumers' needs
Linkages	20.Exit Barriers and 18. Unclaimed balances

Inactivity Ratios: Bank vs Market



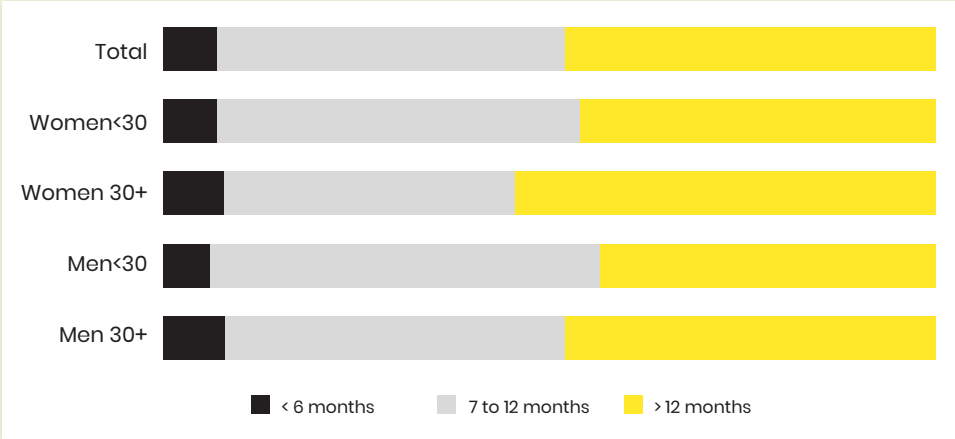
The overall inactivity ratio for savings account customers is 9 ppt higher than the market. The deviations are similar for the <30 and men 30+. Their inactivity ratio for Women 30+ is only 5 ppt more than market, meaning that this segment makes active use of their accounts more than the other segments when compared with typical market behaviour. They typically have the highest inactivity ratios in the market. This highest deviation was 13 ppt for men <30. Based on market behaviour, this segment should have had a lower inactivity ratio as they tend to transact more actively. Only a negligible number of customers actively close accounts. This may be due to closing fees.

Inactivity Ratios by tenure



Inactivity ratios in different tenure bands have different implications. Customers abandoning their accounts within 6 months of opening them could be as a result of miss-selling or a lack of understanding. If accounts that are older than a year are inactive, it may be due to a lack for suitability/affordability as needs and circumstances may have changed. The inactivity ratios and proportions for accounts younger than 6 months are similarly low for all segments. When comparing the bands older than 6 months, it was found that men tend to stop transacting sooner than women.

Breakdown on Inactivity Ratios in tenure



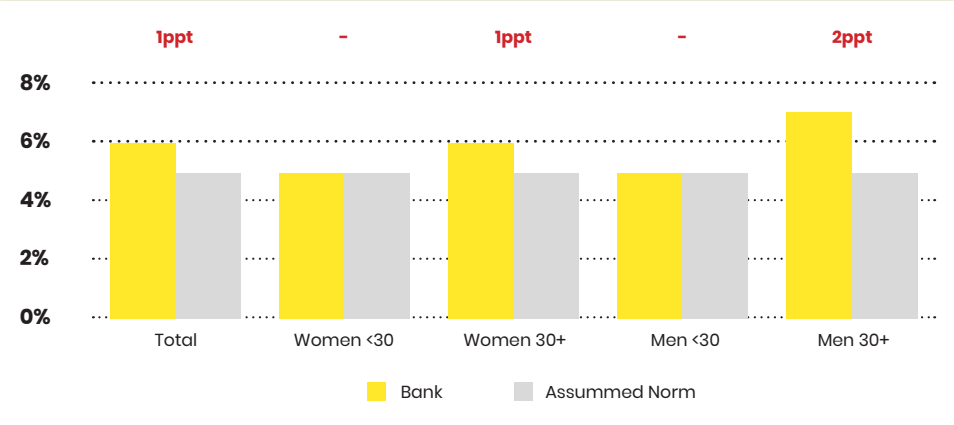
Women 30+ have the lowest overall deviation compared to market and a relatively lower inactive ratio in the 7 to 12 months band, also making up the lowest proportion when compared to other segments. They tend to abandon accounts after 12 months, having the highest inactivity ratio and proportion to their total in this band. Compared to men 30+ who have the highest inactivity ratios and proportions in the 7 to 12 months band, it is noted that men 30+ stop transacting sooner than women 30+. Both these segments also tend to have a slightly higher inactivity ratio in the <6 months band.

A similar pattern was observed when comparing women and men <30. Men <30 have the highest unfavourable deviation compared to market, most of which is attributable to the majority who stop transacting between 7 and 12 months. Women <30 have the lowest inactivity ratio in the 7 to 12 months band. The proportion of customers making this band up is also lower than the proportion of men <30.

6. Unclaimed balances

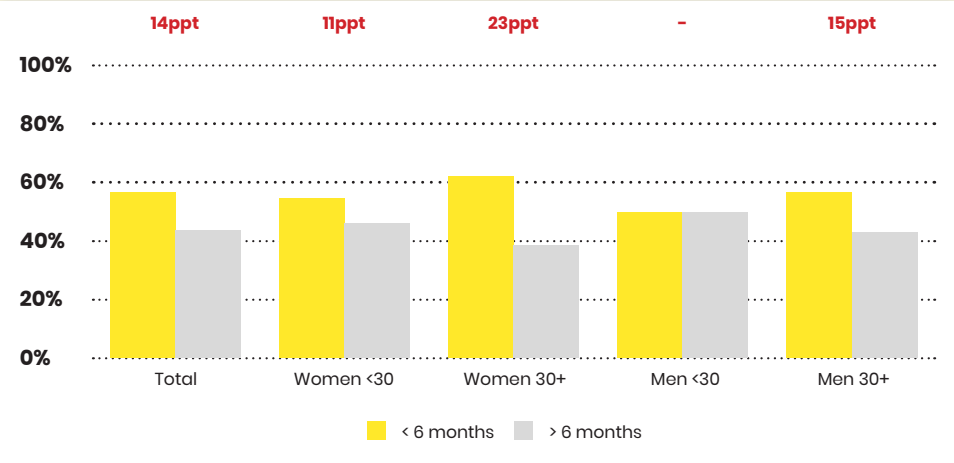
Question posed	What proportion of balances owing to customers are held are in inactive or suspense accounts and how old are they? What proportion of these balances are eroded by fees?
Indicator description	The proportion of total balances on hand that are unclaimed, held in inactive accounts and the breakdown of these unclaimed balances into ageing bands. The value of fees charged against these balances.
Data/variables required	1. Total value of unclaimed balances in inactive accounts: Yes 2. Unclaimed balances in accounts that are inactive for less than 3 months: Yes 3. Unclaimed balances in accounts that are inactive for 3 to 6 months: Yes 4. Unclaimed balances in accounts that are inactive for 7 to 12 months: Yes 5. Unclaimed balances in accounts that are inactive for 13 to 24 months: Yes 6. Fees charged against unclaimed balances in inactive accounts: N/a
Rationale	Unclaimed balances held in inactive accounts are still owing to the customers. As such, efforts should be made to ensure that customers claim these funds and that they are not eroded. The proportion of unclaimed balances in newer accounts should be lower as these customers are assumed to be more easily contactable.
Good outcome	Percentage of total balances that are unclaimed balances in inactive accounts is 'reasonable'. The proportion of balances older than 6 months should be lower than the proportion younger than 6 months. Note: *In the absence of market norms/targets, 'reasonable' is assumed to be 5%.*
Outcome	Fairness & Respect
BoU Gap	20. Customer needs: Products generally not meeting consumers' needs
Linkages	Exit barriers

Unclaimed balances proportion to Total: Bank vs Market



In the absence of market data, it is assumed that unclaimed balances should not make up more than 5% of the total balances on hand. Unclaimed balances held in inactive accounts were 1 ppt more than this assumed norm. Women and men <30 were similar to the norm. Men 30+ deviated unfavourably by 2 ppt.

Unclaimed balances proportion: < 6 mon vs > 6 mon

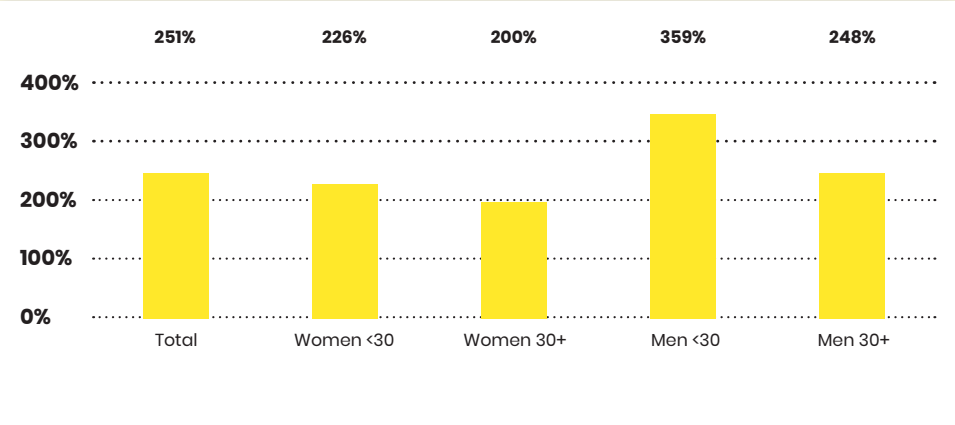


While it may be difficult for FSPs to contact customers whose balances are older than 6 months, attempts should be made for unclaimed balances that are < 6 months old. The < 6 months proportion is 14 ppt higher than > 6 months. For women 30+ this difference is 23 ppt. A potential reason why customers do not claim their balances could be due to the closing fees.

7. Exit barriers

Question posed	Does the FSP impose barriers to exit such as retaining balances or charging closing fees when customers chose to leave and does the FSP assist with these processes?
Indicator description	The value of closing fees/retained balances as a percentage of average balance per accounts compared to a percentage estimated/assumed to be 'reasonable'
Data/variables required	1. Advertised closing fee and/or retained balance — Yes 2. Average unclaimed balance per inactive account — Yes 3. Total revenue earned from closing fees — No — Available
Rationale	If FSPs impose barriers to exit, such as closing fees and retaining balances, they should not result in customers experiencing unreasonable losses. These fees should not cause customers to feel forced to stay with the FSP nor forsake the funds owing to them.
Good outcome	Percentage of closing fees/retained balances does not erode the customer's funds unreasonably Note: *In the absence of market norm/target it is assumed that more than 30% erosion is unreasonable*
Outcome	Choice
BoU Gap	20. Customer needs: Products generally not meeting consumers' needs
Linkages	

Closing fee percentage of average balance per account



Bad

On average, the fees charged to customers for closing their accounts is 250% more than the average balance per account. While this may be an incentive for customers to maintain their accounts with the bank it is a particularly bad customer outcome for those who have balances in their accounts. This causes customers to forsake their funds.

08 Conclusion

Based on the customer-level intelligence generated, we can conclude that CGAP's definitions of customer outcomes, recommended five-step approach and proposed quantitative indicators are capable of detecting good and bad customer outcomes that both an FSP and central authority find useful and relevant to their respective objectives.

The most important elements that contributed to a successful case study were:

- **Usable data**: The good quality of reliable data for the Foundational Ten Indicators
- **The FSP's values**: The FPS' commitment to improve their customers' outcomes, not only for business improvement, but to contribute to customer well-being and by extension, national goals
- **Jurisdictional priorities**: The very well-articulated and clear goals laid out in the BoU's Financial Inclusion Strategy (2017)
- **BoU support and collaboration**: The active engagement with the BoU's Financial Inclusion Strategy team and their guidance
- **Corresponding demand-side research**: The availability of widely-used and accepted national demand-side research from FinMark Trust's FinScope Uganda (2019)

The FSP's perspective

For the FSP, the indicators functioned as a business tool designed to improve their level of customer-centricity. Although they have always had the data and market research, they were unclear about the positive and/or negative impacts the product is having on their customers and by extension, the business itself. Since the indicators are designed to pull data from different sources (functional units and systems), they provide a built-in synthesis mechanism. The inter-relationship of certain metrics/KPIs and the implications they have on the customer as a whole were not as apparent as they become once the indicators were presented.

In certain instances where business or financial performance appears positive in the short-term, they now have the ability to recognize the medium-to-long term risk when customer outcomes are bad. For, example:

- **Segment inflows and outflows-** High sales volumes, especially in the target markets, are a good outcome for both FSP and Financial Inclusion goals. However, if customers are not actively using the product as indicated by the high inactivity ratios, then the FSP has incurred sunken account opening costs and will have to incur more to acquire and onboard new customers. We anecdotally estimate account opening costs to be more than 200% more than the cost of retention tactics.
- **Charges in relation to average balances** While high non-interest revenue (fees and commissions) result in better top-line performance, when assessed as too high against the amount of money the customer is saving, it presents the risk of attrition due to unsuitability (specifically, affordability).

In addition to how the indicators orientate data from different sources, the requisite stratifications provide depth, that is, the breakdowns required to assess outcomes. For, example:

- **Segment breakdowns**: All indicators are calculated at both a total and segment level to provide the level of detail so that the FSP can be more efficient in their tactics/action-plans, focusing on the specific segments that require efforts to improve outcomes. Since the focus of both the FSP and the BoU's Financial Inclusion strategy is on women and youth, the segment breakdowns facilitated the segment finding and highlights in section G.
- **Tenure breakdowns**: Product tenure and Inactivity ratios are broken down by tenure bands so that the FSP can obtain a deeper understanding of the product's suitability over time. Inactivity ratios, for instance, have different implications over time. Customers abandoning accounts within the first three months of opening them, suggests mis-selling or a lack of product awareness. Whereas inactivity after a year indicates that the product is no longer meeting the customer's needs. Different strategies need to be put in place since these are two different problems.

The Authority's perspective

According to the representatives, the indicators address several challenges they face in respect of financial inclusion goals as well as customer conduct and consumer protection.

Lack of supply-side data

In the absence of supply-side data about customers, authorities typically rely on demand-side market research to assess the well-being of the customer market. Despite the valuable insights, reliance on demand-side research alone

poses several challenges to authorities in their attempt to monitor, detect, identify and compare the impact of FSPs on the consumer market, for example, response quality, publication lag time, subjectivity and laborious alignment of data points.

More often than not, the main challenge is not knowing what to look for without understanding the root cause of bad customer outcomes. This has far-reaching consumer protection and policy implications wherein the authorities can only be made aware of consumer risks after a significantly large number of customers have experienced bad outcomes. The Customer Outcomes Indicator Framework has the comparative market data built-in to assess the status quo. This can also (or eventually) be replaced by benchmarks or national goals.

Willingness of FSPs to divulge sensitive data

The results are presented as deviations. Although the BoU's Financial Inclusion unit (the authority, in this case) did not have line-of-sight of FSP's underlying data, nor the actual ratios that quantify the outcomes, the feedback report summarizing the indicators' results was sufficiently insightful to gauge whether or not the FSP's product is contributing to the national financial inclusion goals.

Interpretation of data to dentify unfair/ dangerous practices

Without having to delve into (or investigate) the detail of the FSP's customer strategy, value proposition design elements, business practices and processes that produce good versus bad outcomes they could rely on the quantitative, hence objective nature of the indicators to assess if/how goals are being met. This outcomes-based approach not only provides monitoring and detection capabilities, but also facilitates diagnostics, easier interpretation and explanations.

Challenges posed to the way forward

The advantages and benefits to both FSPs and authorities, notwithstanding, there are several challenges that need to be taken into account before institutions can adopt the framework:

- Being this novel, the BoU would require support and assistance to understand how best to implement
- Pilot testing with more FSPs and a wider range of products requires FSP buy-in before considering adoption
- Since the data for the advanced 10 was not made available, the case study cannot comment on the efficacy of half of the top 20
- The BoU would be required to allocate time and resources to any testing as they would eventually be responsible for monitoring at a jurisdictional level

Further discussions with other institutions who would be willing to support a pilot test are therefore recommended in order for Uganda's authorities to devise a plan for testing and implementation.

Annex 1

ANNEX 1: Detailed view: Individual Indicator Assessment

Table 6: Goal 1 indicators

GOAL 1: Reduce financial exclusion and access barriers

No.	Indicator	BoU Gap	Outcome	Reason
1	Segment breakdown	All five gaps under this goal	Partially Good	Good Savings product is held by Women 30+ and Men <30 in higher proportions than the banked savers in the market Bad Women <30 proportions are less than the market, implying the need to attract younger women
2	Segment inflow & outflows	5. Youth exclusion Inability to open accounts hindering access (and 14)	Partially good	Good • New-to-bank savers increased despite the market decline due to the product's lower KYC and remote opening • <30 inflows were higher than the total average • Upward migration of higher balance holders to more appropriate product Bad • Loans granted in lower proportions than market norm • Inactivity ratio is higher than market norm
3	Charges as a % of balance	4. High costs Limiting financial inclusion	Bad	Adapted due to errors: Unable to determine net-interest income. Indicators based on non-interest revenue Bad Proportion of non-interest revenue earned from customers in relation to average balances is higher than an assumed benchmark/norm of 2%
7	Channel-transaction usage	2. Channel access Limited availability, especially in rural areas	Good	Customers transact more at remote channels than the branch. Branch was used less than market norm whereas Agent and Mobile Money where used in higher proportions than market.

Conclusion:
The FSP has positively contributed to inclusion by attracting cross-sections of the excluded/vulnerable market by providing a KYC lite account and convenience of remote and digital opening. This is evidence by positive inflows of younger customers. The product-channel design has also resulted in successful migration to lower-cost channels However, high inactivity, low loans approvals and younger women still being lower than market norms have the potential to stagnate progress towards inclusion

Annex 1

Table 7: Goal 4 indicators

GOAL 4: Deepen and broaden Savings, Investment and Insurance usage				
No.	**Indicator**	**BoU Gap**	**Outcome**	**Reason**
14	Cross-sell ratios	14. Women exclusion Limited use of formal savings	**Inconclusive** age & design of product	Customers are migrated to other products. Cross-sell against savings account customers is expected to be low
15	Savings behaviour & interest	16. Limited confidence Lacking for formal services amongst pyramid (informal) consumers & 14. Women exclusion Limited use of formal savings	**Overall bad attributed to men segment** **Good outcome for Women segment**	The overall outcome is bad since the average effective interest paid to customers is well below the offered rate and on a total basis, withdrawals were more than deposits in value and volume. However, when this was analysed by segment, it was found that the overall bad outcome was attributable to men. On average, women did receive close to the offered interest rate. This is due to Women <30 whose average deposit value was significantly higher than withdrawals, making up for the 2:1 withdrawal-to-deposit ratio. Women 30+ had a 1:1 ratio which compensated for their average deposit values being less than withdrawals.

Conclusion:
The product is designed and a 'feeder' into other products, therefore, the low cross-sell for other savings products were to be expected to. The cross-sell of loans, however were less than the market potential.
A distinct challenge savings goals is posed if customers withdraw more than they save, resulting in a loss of the offered interest rate. The overall results of the indicator measuring savings behaviour and interest was bad, but when analysed by segment, it was found that women were experiencing good outcomes due to good savings behaviour earning them close to the offered interest rate. The overall bad outcome is attributable to men.

Annex 1

Table 8: Goal 5 indicators

GOAL 5: Empower and protect individuals with enhanced financial capability

No.	Indicator	BoU Gap	Outcome	Reason
16	Product tenure	20. Customer needs Products generally not meeting consumers' needs	**Potentially bad**	Since the product is only 2 years old, its aging is skewed towards newer customers (<6mon). In addition, customers with high balances were migrated Bad - risk Products older than 7 months make up lower proportions than the market tenure for savings products at banks. Should this trend persist as the product ages, it may infer that longer-standing customers are not being retained.
17	Inactivity		**Bad**	Overall inactivity ratio is higher than market norm for banked savings mainly due to products older than 7 months. Product <7 months are less inactive than market norm
18	Unclaimed balances		**Bad**	The proportion of unclaimed balances in inactive accounts opened <3 months ago is higher than the total average. More unclaimed balances are in newer accounts opened <6 months ago than older accounts implying that new customers are abandoning their accounts despite being owed their funds.
20	Exit barriers		**Bad**	The closing fee is higher than the average unclaimed balance per inactive account

Conclusion:
Products being abandoned, resulting in inactivity is indicative of customers' needs not being met. Customers leaving balances in their accounts, especially those opened more recently appears to be due to the closing fee which is higher than the average unclaimed balance per inactive account.

Annex 2

ANNEX 2: Phase II: Advanced Indicators (reliable data was not obtained in time for the following indicators)

The following tables relate to the indicators for which reliable data was not received from the FSP. These are considered to be the more advanced indicators. The table explain what they measure, the individual data points/variables required and what they mean.

4. Advertised tariff vs Actual revenue earned

Question posed	Are advertised prices for products that are contingent on transaction behaviour is fair reflection of how customers actually transact?
Indicator description	The actual number of transactions performed at the various channels multiplied by the advertised price is an indication of what should be earned from the desired customer behaviour. By comparing this to the actual revenue earned sub-optimal transaction behaviour can be detected.
Data/variables required	1. Advertised prices — Yes 2. Number of transactions performed at each channel — Yes 3. Specific transactional revenue making up non-interest revenue — No — Available
Rationale	Advertised fees for transactions and servicing are typically used to attract customers, inform them and drive of the most cost-effective transactional behaviour. If the actual transactional revenue earned differs from the expected revenue, it is indicative of unexpected channel usage and/or mischarging customers
Good outcome	Actual transactional revenue earned is similar to advertised prices x transactional volume.
Outcome	Fairness and Respect
BoU Gap	4. High costs: Limiting financial inclusion
Linkages	7. Channel usage; 3. Charges as a percentage of average balances held per customer

Annex 2

5. Penalty fees & losses

Question posed	What proportion of revenue earned relates penalties & punitive charges?
Indicator description	Penalty fee income is included in non-interest revenue. This proportion is compared to an assumed market norm. According to FSP, there are no penalties on the savings accounts. This indicator related only to penalties on loan accounts NOTE: *Market data or national benchmarks relating to these items were not readily available. Ratios are based on assumptions from bank's data in used for demonstration purposes*
Data/variables required	1. Total revenue earned from penalty and other punitive charges — No 2. Non-interest revenue earned per segment — No 3. Topline revenue earned per segment — No Possible and available but errors detected
Rationale	Serves as a proxy for how successful both the FSP & the customer have been in the: • improvement in how the customer managed funds and payments • reduction in the number of activities that attract penalty fees • reduction on price of these fees
Good outcome	Percentage of revenue earned from penalty and other punitive charges in relation to total topline revenue is similar to norm or target set by the FSP and/or authorities.
Outcome	Fairness and Respect
BoU Gap	4. High costs: Limiting financial inclusion
Linkages	6. Early warnings: Contacting customers to alert them of potential risks of loss/ expenses

Annex 2

6. Early warnings: Contacting customers to alert them of potential risks of loss/ expenses

Question posed	Is the FSP pro-active in informing customers about risks of potential loss detected from behaviours?
Indicator description	This indicator was adapted to account for three known risks that the savings account customers should be made aware of. (1) Penalties (2) Savings product migration (3) Unclaimed balances in inactive accounts. The number of customers experiencing these three events, compared to the number of outbound notifications/communications sent to them provides an assessment of how well the FSP keeps their customers informed.
Data/variables required	

1. Number of loan customers incurring more than 6 penalty charges pa	No	Possible
2. Number of outbound notifications/alerts/communications sent to (1)	No	Difficult
3. Number of customers eligible for more sophisticated savings products once they reach 4mil (Migration)	Yes	
4. Number of outbound notifications/alerts/communications sent to (3)	No	Difficult
5. Number of customers with unclaimed balances in inactive accounts	Yes	
6. Number of outbound notifications/alerts/communications sent to (5)	No	Difficult

Rationale	The indicator measures if the FSP takes active steps to inform customers of when they are incurring additional and avoidable charges and/or behaving in a way that places them at risk of losing the benefits built into their products. FSPs therefore need to track and monitor the customer behaviours that place them at risk in order to notify and advise them on what they can do better to save on FSP costs, lower risk and manage their financial lives better is a strong indication of long-term customer value Note: *Some banks offer this as paid service. This indicator does not refer to these services*
Good outcome	If more than 60% of customers in 1, 3 and 5 received notifications/alerts/ communications
Outcome	Fairness and Respect
BoU Gap	4. High costs: Limiting financial inclusion
Linkages	

Annex 2

Goal 2: Develop a credit infrastructure for growth

8. Financial vulnerability

Question posed	What proportion of customers are deemed to be financially vulnerable and how is this defined by the FSP?
Indicator description	Breakdown of customers into risk categories based on their level of financial vulnerability or quality assessment per segment. Alternatively, if financially vulnerable customers are allocated to a ring-fenced segment, the proportion to the total customer base and changes over time. Since the FSP does not have a specific definition for Financial Vulnerability, data for lending risk grades was request.
Data/variables required	1. Definition of lending risk grades (proxy for financial vulnerability) — No — Available 2. Number of loan customers in high-medium-low risk bands — No — Available
Rationale	This indicator can serve as a proxy for how successful the FSP has been in identifying and monitoring financially vulnerable customers so that their specific needs can be met. Reducing the risk of over-indebtedness, improving risk profiles over time and ensuring a higher level of care and protection requires these customers to be defined, identified and tracked. Comparisons over time provide insight into how well the FSP has managed this segment.
Good outcome	If the FSP has a definition for financially vulnerable customers, can identify them so that special care and treatment plans can be designed
Outcome	Suitability
BoU Gap	8. Credit Awareness: Lack of public awareness of importance of credit histories
Linkages	

Annex 2

9. Alternatives after declines

Question posed	Does the FSP take additional steps to provide access to products for all types of customers by offering alternatives in the event of declines?
Indicator description	Percentage of customers who were provided alternative and more suitable products/ prices/rates after their initial applications were declined/rejected because they did meet the qualifying criteria for the initial application. In this instance, the indicator and data relate to loan applications
Data/variables required	1. Number of loan applications — No — Not tracked 2. Number of applications declined — No — Not tracked 3. Number of customers offered savings account with scoring — No — Not tracked 4. Number of customers offered smaller loans — No — Not tracked
Rationale	This indicator is a measurement of how adaptive the FSP is to customers' needs when their circumstances do not allow for their initial expectations to be met. By offering them acceptable alternatives that are more suitable to their circumstances and affordability, the FSP is able to retain the customer and the customers' needs are met in a more responsible manner
Good outcome	If 30% of the initial declines/rejections were retained
Outcome	Choice
BoU Gap	8. Credit Awareness: Lack of public awareness of importance of credit histories
Linkages	66 in Fairness & Respect relating to staff training when dealing with declines • 17 in suitability where the relevant data is a collected • Indicator - tenure - closed within the first three months of opening

Annex 2

10. Payment flexibility & debt

Question posed	Does the FSP provide customers in financial stress with options for repayment and help rehabilitate the over-indebted?
Indicator description	Proportion of loan customers displaying financial stress and by extension, are in need of assistance from the FSP. Of this, the percentage who requested and then received payment plans/holidays, debt consolidation, debt counselling, other debt relief measures and the percentage of these customers Note: *Specific to lending and insurance products, i.e., customer who are current repaying loan and/or own monthly premiums for insurance benefits*
Data/variables required	

1. Number of loan customers who missed 3 or more payments	No	Available
2. Number of loan customers who requested leniency	No	Not tracked
3. Number of customers who were granted payment plans/holidays	No	Available
4. Number of customers who received debt counselling, consolidation or other relief measures	No	N/a

Rationale	This indicator measures the level of active care given to customers displaying financial stress as determined by the FSP. In this case, three missed loan repayments indicate the need for flexibility and or relief measures.
Good outcome	If the FSP provided leeway and other care measures to a 'reasonable' proportion of the customers. 'Reasonable' needs to be determined based on the FSP's internal target as there are no external targets/benchmarks against which to compare.
Outcome	Fairness & Respect
BoU Gap	8. Credit Awareness: Lack of public awareness of importance of credit histories
Linkages	

Annex 2

11. Digital adoption & usage rates

Question posed	Has the FSP ensured usability of their digital interfaces for all customer segments and then ensured that customer do in fact use them
Indicator description	The percentage of the customer base who have registered for digital services compared to the market percentages. Of these registered customers, the percentage who are actively making use the digital services.
Data/variables required	1. Registered: Number of customers registered for Online banking, the banking App and cellphone banking — No — Available 2. Actively using: Number of registered customers making active use of their Online banking, the banking App and cellphone banking services — No — Available
Rationale	The percentage of customers registered for digital services per segment indicates the FSP's level of success in positioning their digital services in the market The percentage of registered customers actually using these digital products indicates how successful the FSP has been in educating the customer on what to do and the usability and functionality of the interface design
Good outcome	If the FSP percentage of customers registered for digital services is higher than the market and if the registered percentage is similar to the percentage
Outcome	Suitability
BoU Gap	10. Inter-operability: Inadequate within the financial sector
Linkages	

Annex 2

12. Consents- remote onboarding and account opening

Question posed	When providing remote and digital channels (non-face-to-face interaction), does the FSP actively ensure that consent and agreement is obtained through responsible design?
Indicator description	The number of check points built-in on the various remote onboarding customers journeys that require the customer to confirm, accept/reject and approve the opening of a new account. For e.g. T&Cs read and accepted, Customer's asked if they want to continue, Customers asked to confirm product acceptance at the end of journey
Data/variables required	

1. Agent: Number of confirmation and consent check-points in customer onboarding journey	No	Available
2. Agent: Number of customers passing all check points of consents and confirmations	No	No tracked
3. Agent: Number of customers successfully onboarded on this channel	No	Yes
4. Mobile: Number of confirmation and consent check-points in customer onboarding journey	No	Available
5. Mobile: Number of customers passing all check points of consents and confirmations	No	No tracked
6. Mobile: Number of customers successfully onboarded on this channel	No	Yes

Rationale	Special care should be taken when customers open products on digital/self-service/ remote channels that are more susceptible to customer error or a lack of understanding. Therefore, FSPs need to ensure that the onboarding journey has check points that actively request customer consents before new products are opened on their profiles. If active consent is not received, there should be fail-safes in place to ensure that customers are protected.
Good outcome	If there are at least 2 check points in each customer onboarding journey. If the total number of customers passing all check points equals the total number of successful onboardings
Outcome	Choice
BoU Gap	10. Inter-operability: Inadequate within the financial sector
Linkages	

Annex 2

13. Not-taken-up ratios

Question posed	What stage in the onboarding journey, do customers drop-off?
Indicator description	Not-taken-up (Drop-off) ratios at all stages of the onboarding journey from application, approval, activations. This is calculated by comparing the number of customers in each stage to the one following in order to determine where customers abandon the process. The following data is requested for both onboarding channels- Agent and mobile
Data/variables required	

1. Number of leads received or enquires made by customers	No	Possible but not tracked
2. Number of applications received from customers	No	
3. Number of customers to successfully upload required documents	No	
4. Number of successful verifications	No	
5. Number of customers to get accounts approved and opened	No	
6. Number of customers who deposited minimum balance to activate	Yes	

Rationale	By assessing where in the onboarding process customers drop-off, the FSP is able to detect which steps require correction/improvements. Each drop-off provides a different type of insight • 2 to 1: Customers do not find the product or channel appealing enough to apply • 3 to 2: Customers had problems uploading documents or do not have them • 4 to 3: The uploaded documents could not pass the verification checks • 5 to 4: Account opening process failed for the verified customers • 6 to 5: Customers chose or could not deposit the minimum balance
Good outcome	At least 4 out of the 6 steps are tracked by the FSP and drop-offs are managed over time
Outcome	Suitability
BoU Gap	11. Weak competition: Leading to high prices and poor customer experience
Linkages	

Annex 2

14. Top 10 complaints

Question posed	What are the Top 10 complaint-types and root causes and does this trend change over time?
Indicator description	Top 10 complaint-types and their root causes specific to the savings product for at least two years. Year-on-year comparisons to identify variations in ranking
Data/variables required	1. Top 10 complaints-types for year 1 and year 2 — No 2. Top 10 root causes for year 1 and year 2 — No No response
Rationale	Customer complaints should be classified by complaint-type and the root causes understood so that improvements can be made to products and services. When assessed over time, the comparison between periods should reveal different rankings in both top 10 complaint types and root causes to indicate that problems are being addressed.
Good outcome	FSP is able to provide the Top 10 complaint-types and their root causes for different time periods, indicating that complaints data is being analysed, understood and reported on. Variations in rankings indicating that problems are being address.
Outcome	Voice
BoU Gap	19. Consumer rights Limited protection and poor customer experience
Linkages	

Annex 3. About the report partners

About WSBI and Scale2Save.

The World Savings and Retail Banking Institute (WSBI) created in 2016 a new programme in partnership with the Mastercard Foundation "to establish the viability of low-balance savings accounts and use of customer-centric approaches to address barriers faced in access, usage and affordability of savings services".

Called Scale2Save, the programme is set against a backdrop of problems such as high poverty rates and financial exclusion in sub-Saharan Africa, as well as low formal savings rates. FSPs have a poor understanding of the market savings potential of people in various low-income segments. The needs of existing and potential customers – and how much customers can afford to pay to meet those needs – are not well reflected in FSPs' business models, customer interfaces and interactions. The resulting poor customer experience gives rise to extremely high rates of bank account dormancy and inactivity. This is a significant cost for FSPs and undermines potentially sustainable business cases to deliver accessible financial services to people in these segments.

The Scale2Save programme's core activities are to:

- Provide financial service providers with technical assistance to develop savings services valued by low-income customers. WSBI works with eleven financial service providers to develop and deliver savings products that not only broaden access to financial services but also drive ongoing use of those services. The banks are located in Cote d'Ivoire, Kenya, Morocco, Nigeria, Senegal and Uganda. A bank in Tanzania acts as a knowledge partner.

- Conduct research and share lessons between partner banks. WSBI publishes the annual Savings and Retail Banking in Africa report series to facilitate peer learning and the spread of knowledge. The institute also researches new pricing models to help establish a business case for low-balance savings and conducts household research to contribute to knowledge of cash flows in households.

- Communicate lessons learned to the wider sector. WSBI has developed and carried out a targeted communications strategy to share the knowledge generated by the project with key stakeholders.

- Monitor and evaluate the programme. WSBI monitors project progress at partner banks and oversees mid-term and final project evaluations. The programme started in September 2016 and will continue until August 2022.

For more information about WSBI please visit: www.wsbi-esbg.org

For more information about Scale2Save, please visit:

www.wsbi-esbg.org/KnowledgeSharing/Scale2Save/Pages/EmptyHomepage.aspx

About the Mastercard Foundation.

The Mastercard Foundation works with visionary organizations to enable young people in Africa and in Indigenous communities in Canada to access dignified and fulfilling work. It is one of the largest private foundations in the world with a mission to advance learning and promote financial inclusion to create an inclusive and equitable world. It was established in 2006 through the generosity of Mastercard when it became a public company. The Foundation is an independent organization, and its policies, operations, and program decisions are determined by its own Board of Directors and senior leadership team. It is a registered Canadian charity with offices in Toronto, Kigali, Accra, Nairobi, Kampala, Lagos, Dakar, and Addis Ababa.

For more information on the Foundation, please visit: www.mastercardfdn.org

www.wsbi-esbg.org/scale2save

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