

Financial Education Campaign for Digital Savings by Akiba in Mexico

1. FINANCIAL EDUCATION (FE) CONTEXT

Financial literacy is a real issue in Mexico. According to a World Bank report on *Financial Capability in Mexico*:

- (i) More than 70% of the population has experienced financial strain, as indicated by regular or occasional shortfalls in income to cover basic expenses such as food and housing.
- (ii) Planning for old age and retirement is infrequent, with less than a third of the population under the age of 60 reporting any plans in place to cover old-age expense. Of those over age 60, nearly two-thirds report insufficient or no provisions for living costs, with many reliant on support from working-age family and friends.
- (iii) Nearly two-thirds of Mexicans surveyed expressed a greater orientation toward the present than the future. 16% of survey respondents did not report any financial plans, 27% reported their planning time frame to be one week or shorter, and 27% reported a planning time frame between one week and one month.
- (iv) Nearly half of those surveyed reported that they do not currently use any financial services, formal or informal, for saving and credit purposes, and 42% reported that they have not used any financial services in the past five years. Among the 51% who are currently using financial services, the most prevalent formal financial products were savings vehicles such as accounts at financial institutions and credit cards. For informal sources of credit and savings, tandas (the Mexican term for informal rotating savings and credit associations, or ROSCAs) and loans from family or friends were commonly mentioned.
- (v) The level of formal financial knowledge among those surveyed showed opportunities for improvement. Finally, half of the surveyed population stated they were never taught how to manage their money - for those who did receive guidance, the primary source was a parent.¹

The current government is trying to take steps in the right way by including financial education as a mandatory course to be taught in primary and secondary schools all over the country. In 2017, the Mexican government launched a national strategy for financial education².

2. INTERVENTION APPROACH

Financial literacy needs assessment

Many low-income households and microentrepreneurs in Mexico rely on informal mechanisms, such as rotating savings and credit associations (ROSCAs) or “tandas,” to meet their financial needs. This is because these mechanisms are often low-cost, convenient, and easy to understand, making them a preferred alternative to formal financial services. A 2013 survey and report from the World Bank shows that in Mexico, financial capability, the ability of consumers to make sound financial decisions and use financial products effectively and responsibly, is of crucial importance in accelerating financial inclusion given its current low levels. For technology-based financial products, technology-awareness can be a challenge to adoption in the lower income segments of the Mexican population. Finally, in order for users to take full advantage of the product for their financial needs, they need to understand it first.

The key constraint is the vast resources (time and money) to implement the financial education strategy. Therefore, it was important to combine face-to-face interaction with Digital delivery of financial education, since face-to-face trainings are resource consuming. The SCBF intervention was specifically designed with this in mind, and has proven positive, adding face-face training which was implemented in the first phases of the strategy, digital supports such as infographics, tutorials and videos to guide new / potential users and digital social media campaign on financial literacy.

¹ Please refer to:

<https://openknowledge.worldbank.org/bitstream/handle/10986/16756/821340ESW0whit00Box379873B00PUBLIC0.pdf?sequence=1&isAllowed=y>

² https://www.bbvaedufin.com/en/publicacion/___trashed/

Main activity areas (goal, targets, resources & time frame) and outputs

During the lifetime of the project, the go-to-market of Akiba was modified to focus primarily on low-income employees via the digitization of savings products for employees embedded in the working culture in Mexico: *Cajas de ahorro* and *fondos de ahorro*. For the financial education campaign, things also became more efficient as face to face training were provided to employees within the company context. Due to the multiple change in business models over the project duration, the financial education content needed to be adapted and re-launched several times. This required additional resources not initially contemplated by the project and put significant pressure on the organizational capacity.

The aim of this project was to support the Akiba product upscaling by increasing financial capabilities of Akiba's potential and active users. The main activity areas and targets are described in the table below.

| Target | Degree of achievement | % achieved | Comments |
|--|--|------------|--|
| (i) Design the overall campaign. | Campaign designed with support from Ursula Heiman | 100% | Focus Groups to understand clients and build the financial inclusion strategy. Strategy paper elaborated with the consultant and then implemented. |
| (ii) Develop videos and tutorial on how to use the Akiba platform | Tutorials developed for the individual savings and for the Akiba Employee Savings Fund | 100% | Clients have access to video explaining why and how to use Akiba for their savings. In addition, they have access to video tutorials for each step along the process from downloading the App, to registering, to checking balance, as well as contacting Akiba if they want to request any type of support. |
| (iii) Design and develop the financial education module which will be integrated to the Akiba platform. | Financial education modul developed and included in Akiba v.1 in Mexico | 100% | Financial education module built and implemented in v.1 and v.2 of Akiba in the first business model. HR Departments are provided with tutorials, financial education videos and the infographics that Akiba developed for them to share it with their employees using their internal channels. Newsletter with a financial education component elaborated for the HR departments to share with end users of the employee savings funds. |
| (iv) 5'000 clients trained | | 100% | 3,000 Potential clients were trained through face-to-face interactions at universities. 5'491 registered users trained. When a new company joins, a financial education training is given to employees to explain why it is important to save through Akiba and how to do it. Also, financial education content is shared with companies Human Resources Department for them to share it with their employees using their formal channels. Over 9'500 social media followers have access to financial education training provided through infographics several times a week. |

Akiba has bypassed the target of 5'000 clients trained. Indeed, on top of the 5'491 registered users who were reached through face to face interactions in their companies as well as through tutorials shared by their HR department and social media, in the first phase, Akiba trained more than 3'000 people in Mexico through more than 40 direct in-person trainings. Most of these trainings were done at and through public universities and vocational schools in poorer areas of Mexico City (Ixtapalapa, Tláhuac, etc.), Mexico State, Puebla State, Morelos State and Tlaxcala State. The latest was in San José Chiapa in Puebla State at a technical school.

Additional funders

Today, Akiba is self-sustaining and does not need external investors to sustain its operations in Mexico going forward.

Partner financial institution

Akiba has been incorporated as a SAPI (Sociedad Anónima Promotora de Inversión) in Mexico, and 99.9% owned by E-Savings.club SA in Switzerland. Its primary product offering is the Akiba application. Akiba is a

relatively recent venture in Mexico that leveraged on E-Savings.club's team experience and expertise building digital savings solutions in other developing countries (Benin, Haiti). While AKIBA is characterized by Finnovista as a financial education tool, it can also be categorized under personal finance, or savings in broad terms. This ambiguous categorization reflects the innovative nature of AKIBA's model, which does not necessarily "fit" easily into pre-established categories. Though technically a financial technology company, AKIBA does not fall under the government's Fintech Law, as it focuses on offering the technology not on touching or holding the funds of employees.

3. RESULTS ACHIEVED AND NOT ACHIEVED

Client level

AKIBA provides both access to financial services and increases usage of financial services for low and middle-income Mexicans by keeping things simple. Qualitative interviews performed by an independent evaluation team with employees using the AKIBA product found that some did not have access to financial services prior to this product. In the case of AKIBA's savings products, some employees have not had employer savings products before. While all employees have transactional bank accounts in which they receive their paychecks, these are not seen as effective ways to save, rather money is usually cashed out or spent before the next pay cycle. In the small sample of interviews, evaluators obtained some insights around savings behaviors. To those employees they spoke to, who did save, used alternative saving mechanisms including informal "tandas" or ROSCAs, or, as one woman noted "under her mattress". By allowing for simple automatic payroll deductions, AKIBA also helps break important behavioral barriers to savings. The big advantage of the Akiba Employee Savings Fund is that it forces employees to save regularly. A key step in the process is that employees agree to their employer discounting part of their salary every 15 days so they can save. By making it an automatic process that does not require recurring action on the employee side and the employee not having access to it until the end of the year, this makes a perfect savings product from a behavioral standpoint.

Doricela Rios has been saving with Akiba for two years and she saves 5% of her salary. She tells us that Akiba has allowed her to improve her personal finances. She mentions: "I feel it is a simple and easy to understand platform. I would not change anything about it. Akiba incentivizes you to save and reach your goals. It forces you to save your money. It makes you set goals for yourself. It is a useful tool to save and to avoid spending it, so that at the end of year you have money saved."

In addition to the aforementioned qualitative interviews performed by independent evaluators, Akiba led a data analysis of 175 users from three different companies where Akiba could track data for up to three years to understand the change in savings behavior over the long-term. Akiba did not isolate the different interventions at the time, so they do not know the respective impact of each one, but the results speak of the impact of Akiba as a whole in terms of savings behavioral change. These users save recurrently every 15 days, and this is the case for all Akiba users, some of them even save every week, so Akiba really helps them to build savings through recurring deposits.

Claudio García has been saving through the Akiba platform for 2 years and 7 months. He now saves 5% of his salary. He says: "before Akiba I did not save at all. Akiba taught me to become a saver. I can see how much I am saving, and I am learning to save even more. You realize that if you have that money available you spend it. With Akiba, saving is seamless so at the end of the year you have a significant amount saved. My monthly deposits are now double the amount I used to save when I started using Akiba."

On average Akiba users save 622 Mexican pesos a month (approximately CHF 25), for a total of 7464 Mexican pesos at the end of a year (approximately CHF 300). On average, Akiba estimated that savers using the Akiba Employee Savings Funds are saving 5% of their salaries. An econometric study with data from the 2014 National Household Survey³ shows that the lowest five income deciles of the Mexican population (I to V included), actually have negative savings rates, which means that instead of saving they are actually losing assets. So the fact that users are saving close to 5% of their salary thanks to Akiba is quite a significant feat.

The results are also positive in terms of the increase in amounts over time, speaking of increased confidence levels and appeal of the Akiba savings process. Indeed 32% of users in the sample actually increased the recurring amount they saved overtime. The average savings deposit amount increased by 174% for those

³ <https://economiatyp.uam.mx/index.php/ETYP/article/view/407/440>

users between their first deposit when they started saving through the Akiba Employee Savings Fund and the last one. Interestingly the increase in amount of the regular savings deposit is steeper for the ones that have been saving using the Akiba platform for two or three years showing that people are learning savings habits thanks to Akiba.

| Intervention | Change in financial literacy levels | Behaviour changes | Impact |
|--|--|---|---|
| Face-to-Face training of potential users | Potential clients understand the importance of saving, role of inflation, how to set goals for themselves, how to manage risks when using informal savings practices | <ul style="list-style-type: none"> - Once clients subscribe to Akiba, the automatic process of recurring savings makes it a perfect financial product to create savings pattern. | <ul style="list-style-type: none"> • Reduction in negative financial habits such as impulsive buying • At the end of the year, a significant amount of money is available for investments. |
| Video | Clients learned about why and how to use Akiba for their savings | <ul style="list-style-type: none"> - Increased trust in the Akiba platform - Clients save regularly through Akiba - Not afraid of digital financial solutions anymore - More confidence | <ul style="list-style-type: none"> • Improved resilience to unforeseen events (sickness, etc.) • All savers are saving regularly every 15 days or every week without exception (unless they lose their job or fall ill) • All savers have increased their savings over time • 32% of savers increased the amount of the bi-monthly deposit (amount increased on average by 174% from the first deposit to the last) |
| Infographics through social media and shared to HR | Clients understand the importance of savings, how to set money aside, how to avoid spending to increase the amount saved | <ul style="list-style-type: none"> - Clients save regularly - Increased self-esteem and their capacity to save | <ul style="list-style-type: none"> • Improved resilience to unforeseen events (sickness, etc.) • Employees increase their monthly savings regularly by putting aside 5% of their salary on average |

Partner financial institution/s level

The financial education intervention supported the development and growth of Akiba, as it was used to train potential users on the benefits of using financial product such as Akiba platform (in particular the importance of savings). In the first phase, the intervention was also used to improve trust in the platform.

Key achievements are that Akiba managed to evolve over the course of the project to adjust to the demand and so has our financial education training. After modifying the product, Akiba have also adapted the content of our financial education training. Currently, the financial education campaign has continued to help and support building the digital and financial capabilities to use the Akiba product.

After modifying the go-to-market strategy, the new B2B2C channel was positive for the Financial Education project. Indeed, most companies when they decide to work with Akiba are thinking about how to incentivize financial education and particularly for their employees to understand more about the importance of savings and how to increase their savings propensity. So they are very happy to open the doors for us to talk to their employees.

In order to assess AKIBA, a team of experts from EA Consultants mandated by SDC conducted a desk review of documentation, reviewed industry data, and information on the regulatory environment. They then traveled to Mexico for meetings with AKIBA management and staff as well as clients and end-users. This included interviews with HR managers of four companies using AKIBA's platform as well as seven end-users

(employees). The final report highlights the positive feedback from clients and examples of positive impact it had on their life. It is difficult to dissociate the effect of the product features vs the impact of the financial education component in this success.

There seems to be great added value in the possibility for some very large companies to understand the specific needs of their employees and co-create with Akiba tailored messages for their employees to train them on the use of savings and other financial services. However, this requires additional resources which the companies are not necessarily willing to pay for. In H2 2020, Akiba would like to find funding to work with a very large company which Akiba now has as a client to co-create a tailored tool specifically for their customers on top of the existing tools to support deeper financial education of its tens of thousands of employees so they can make an even better use for their personal finances of the Akiba Employee Savings Fund Platform. Akiba is now reaching break-even with monthly recurring revenues, thus the sustainability of Akiba is guaranteed.

4. LESSONS LEARNT

The intervention did achieve what was expected to a large extent. Akiba surpassed the milestone of more than 5'000 users benefiting from the Akiba Financial education campaign and all other key milestones and outputs were delivered. Most importantly thanks to Akiba, over the long run a significant portion of users have changed their savings behaviour.

The key success factors for this project were:

1. That Akiba applied the seven key factors of financial capability
2. That the strategy combines digital and face-to-face interactions with users and potential users
3. That Akiba tries to make financial education fun and attractive by designing tools that are attractive to lower middle income customers (Infographics, GIFs, short videos, etc.) instead of traditional supports.
4. That Akiba applies behavioral economical tactics to increase savings behavior (making saving an automatic behavior, seamless and frictionless experience, keeping it away from the saver, ability to check balance at any time, etc.)

The key lesson learnt is that SCBF's support is key for Inclusive Fintech Startups like Akiba to enrich their financial offering with financial education trainings to clients. This is an important component for any financial inclusion initiative in emerging countries like Mexico. The financial education campaign has great synergies with the product up-scaling facility and there are great benefits to combine both programs.