

Savings Product Upscaling by Socremo in Mozambique

1. DEVELOPMENT RELEVANCE

Economic and poverty context

Mozambique has one of the lowest financial inclusion rates in Africa, with only 24% of adults in urban areas having access to formal financial services, and even lower in rural areas. Mozambique was one of the 25 countries prioritised by the World Bank Group in its Universal Financial Access by 2020 initiative¹. In 2016, with support from the World Bank, the Bank of Mozambique launched a new financial inclusion strategy, with the goal of increasing access to formal financial services to 60% of the population by 2022.

A 2020 review of the banking sector in Mozambique by KPMG² noted that growth in brick-and-mortar branches has been very modest, and essentially nil outside of Maputo city and other urban areas. KPMG reported that “there is still more that needs to be done to reach people in the remote areas of the country,” and that financial inclusion for these areas must be driven largely through digital channels. Commercial banks continue to invest in internet banking, but there remains a significant gap in access to digital financial tools and services among low-income and disfranchised segments, including micro-enterprises operating in the informal sector.

Table 1: Population and economic indicators

Population in million (2022)	33
GDP growth (2021)	2.2%
Inflation (2020)	3.1%
Trade balance (2020)	-43.6 %
Foreign direct investment (net) (% of GDP) (2020)	22.7%
Net ODA received (% of GNI) (2020)	18.5%
Remittances received (% of GDP) (2020)	2.5%
Economic Freedom Index ⁱⁱ (Rank among 186 countries)	142
Poverty indicators	
GDP per capita (USD) (2021)	\$500
Gini Index (0= equality 100= inequality) (2014)	54
International poverty rate (2022; at 1.90 USD/day)	60%
National poverty rate (2020)	41-46%
National rural poverty headcount rate (2020)	56.9%

Table 2: Sub-Saharan Africa comparative countries

Indicator	Zambia	S. Africa	Tanzania	Botswana	Namibia	Mozambique	Zimbabwe	Uganda	Kenya
% of adults financially included (formal & informal)	59	87	73	76	69	40	77	85	75
—% of women	57	90	68	73	—	38	76	85	73
—% of youth	55	—	—	72	—	—	—	—	74
—% of rural residents	50	81	66	64	61	31	72	83	61
% of adults formally financially included	38	83	57	68	—	24	69	54	67
% of adults with a formal transaction account	36	70	41	52	59	—	32	44	75
% of firms with a loan or line of credit	9	—	17	—	22	—	—	10	36
—% of small firms (5–19 employees)	5	—	13	—	19	—	—	9	30
—% of medium firms (20–99 employees)	14	—	26	—	31	—	—	9	42
# of access points per 10,000 adults	7.0	9.0	—	10.9	93.3	16.9	23.0	—	17.3
GNI per capita, Atlas method (current US\$)	1,490	6,080	920	6,460	5,190	590	860	700	1,340
Population density (ppl per sq. km.)	22	45	60	4	3	36	40	1945	81

Sources: FinScope (various years, since 2011); World Bank Findex (2014); World Bank Enterprise Surveys (2013); IMF Financial Access Survey (2016); World Bank World Development Indicators (2015).

Financial sector context

The Mozambican government is currently implementing a National Financial Inclusion Strategy (NFIS), which seeks to increase access to formal financial services among the adult population from a baseline of 25% in 2016 to a national goal of 60% by the end of 2022. The strategy also seeks to increase formal access points

¹ The World Bank: [Universal Financial Access by 2020](#)

² Mozambique Banking Survey 2020 – KPMG, https://issuu.com/kpmg_mz/docs/banking_survey_2020

with a goal of 100% of districts across Mozambique with at least one formal access point by the end of 2022. This would be an increase from 2016, when it was less than 75%. The NFIS also aims to enable 75% of the population with at least one access point to formal financial services within 5 km of their place of residence or work, beginning from a baseline of less than 50% in 2016.

Based on Accion’s decades of international experience in developing and rolling out financial services and products, we recognise that a bank account is usually the entry point for individuals and companies to benefit from other financial services and products, such as access to bank loans, especially for smallholders and micro, small and medium companies (MSME). Electronic money transfer systems, insurance and pension funds services, and even access to the capital markets also become more accessible once an account with a formal financial service provider has been established.

Financial sector partner

Formed in May 1998, SOCREMO MicroBanco, SA’s (“Socrema”) mission is to provide sustainable innovative financial solutions to the micro, small and medium (MSMEs) enterprises, value chains and households. Socrema has 18 branches located in the provinces of Maputo, Gaza, Inhambane, Sofala, Tete, Zambezia, Nampula and Maputo Cidade.



Socrema offers the following financial services:

- **Credit products:** Individual lending to primarily micro, small, and medium enterprises, households, and for consumption purposes.
- **Loan products:** Socrema provides loan amounts that average around MZN 5,000 and MZN10,000,000; The maximum loan term is approximately 60 months (average 18 months).
- **Savings:** Socrema offers savings products that include savings accounts and term deposits. The minimum opening balance for accounts is MZN 200.
- **Insurance products:** include credit and funeral insurance.
- **Other products, services, channels:** include overdraft procedures, checks, and debit cards.

With funding from SCBF, Accion worked with Socrema to develop and more widely deploy these products and services. Accion’s technical assistance enabled Socrema’s new customers to access savings accounts for the first time. Customers using savings accounts have benefitted from improved digital and financial capabilities as a result of using Socrema’s intuitive service built with customer-centric design principles. The metrics used to track progress include the number of accounts opened, number of active accounts (deposit/withdrawal activity within 14 months), total amount of deposits and average amount of deposits, and customer engagement within the self-service mobile app. As formal savings improve the financial health and resilience of low-income families and enterprises, it was important to track data on savings accounts and how they are being utilised to best serve Socrema’s clients. Given the importance of customer feedback and satisfaction, Socrema has been using this data from customer service staff in branch offices and conducting informal interviews by field staff who manage the client relationship.

2. INTERVENTION APPROACH

Capacity building needs

Accion conducted an initial market survey in Mozambique. The insights from that survey indicated the need to adjust the design of Socrema’s existing savings products to align better with the needs of customers and underserved segments. Throughout the project, Accion worked to integrate the savings offering with a mobile wallet service – M-Pesa – and integrated the savings products with a mobile app to allow self-service.

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

The aim of this project was to expand financial inclusion to low-income individuals and entrepreneurs in Mozambique by offering a digitally-enabled savings product, building on the existing savings customers of Socrema’s “Vitamina” savings product, and leveraging digital channels to introduce an assisted and self-service model for savings. The “Vitamina” savings product is unique among Socrema’s savings offerings in that it is a standalone, voluntary savings account, not tied to their loan products. The project also entailed revising the Vitamina savings products to increase the value-add for customers; one component of that was the introduction of a funeral insurance benefit for existing customers.

The product had three main components: i) adjusting the design of the existing savings product in line with customer needs and underserved segment needs; ii) integrating the savings offering with a mobile wallet service; and iii) making the savings product available via a mobile app for self-service.

Targets included:

- Completion of customer insights work; design of new Vitamina minimum viable product
- Pilot product, initial reach of 9,000 beneficiaries
- Launch Socremo mobile app for self-service, integrate with M-Pesa mobile wallet
- Subsequent reach of 12,000 beneficiaries with savings product
- 30% usage of the mobile wallet and mobile app among savings customers
- Lessons learnt and industry engagement publication

3. RESULTS ACHIEVED AND NOT ACHIEVED

Client level

Socremo and Hollard first introduced microinsurance credit-life in Mozambique in 2014. The product was offered through Socremo-funded credits to protect the client and family. Socremo administers the product in partnership with Hollard, and is responsible for distributing the product, collecting premiums, and paying the benefit amount directly to customers when needed. This product offered during the duration of a customer's loan facility saw initial success. Subsequently, Socremo and Hollard introduced a funeral benefit which is available for credit clients (during the lifetime of the loan facility) and, with Accion's support, extended the benefit to Vitamina savings clients (driven by the saving balance). The funeral benefit for customers helps reduce the incidence of customers taking money from their business to pay for funeral expenses, thereby mitigating a negative impact on business growth. The product also helps prevent situations where the customer resorts to the sale of family property to finance funeral expenditures. In the event of a customer's loss of life, the family doesn't need to seek external funds for funeral and credit repayment costs.

Table 3: Impact of the funeral policies for Socremo clients

Performance of the funeral insurance policy from 2020 to 2022

Year	# of policies issued	# of loans issued	Number of funeral insurance beneficiaries
2020	8,885	9,305	44,425
2021	10,329	10,612	51,645
2022	8,810	9,007	44,050

During the reporting period of 2020 to 2022, the number of customers using Socremo's credit products dropped due to the COVID-19 pandemic. Most of the clients whose loans lapsed during this time were not able to continue operating their businesses at pre-pandemic levels, which is why they had limited capacity to fund additional expenses like funeral expenses. The Vitamina savings product provides these clients with the most viable option to manage unexpected expenses and shocks, which is driven by their savings.

Table 4: Growth of the Vitamina savings product over the past 14 months

	Dec 2022	Sept 2022	Jun 2022	Mar 2022	Dec 2021	Sept 2021
Male	6124	5,361	4,907	4,499	4,292	4,195
Female	4238	3,724	3,401	3,140	2,993	2,930
Other (Company)	65	61	56	55	54	54
Total	10,427	9,146	8,364	7,694	7,339	7,179

Key deliverables and KPIs:

During the project, over 10,000 Vitamina savings beneficiaries were reached – due to various challenges, including the global pandemic, work is ongoing to reach the target of 12,000 users. The team was able to develop a Socremo mobile app, allowing customers greater control over self-service items such as loan repayments, product applications, and customer support. In addition, the M-Pesa wallet has been integrated with the bank to allow customers to make loan repayments and savings deposits. Work is ongoing to reach 30% usage among mobile app customers. A final lessons learned paper was finalised in December 2022 and will be distributed throughout the industry in early 2023.

Financial sector partner level

The project has increased Socremo's capacity for 'pro poor' outreach through two digitally-enabled channels which are not currently used to offer or promote the existing savings product – a digital field application (DFA) to be used by branch staff, and a self-service mobile application.

These digital channels have enabled Socremo to market to more rural/remote customers, and greatly increase convenience and ease of use for low-income individuals while saving them time by reducing the need for physical trips to brick-and-mortar branches.

The newly-acquired savings customers are approximately 42% female and 58% male, in comparison to the financial inclusion rates of 38% for women in Mozambique overall (see Table 2). The customers are mainly urban and are involved in income generating microbusinesses. During the project it was found that i) the use of human-centered design principles improved the overall value proposition of the savings product, ii) alternative channels improved digital access, and iii) financial literacy delivered through social media was effective.

Table 5: Product performance and outreach

Social performance and client satisfaction			Funeral Insurance Outcomes		
<ul style="list-style-type: none"> - Savings upscaling: 10,427 clients reached through Vitamina product, from a low of 6,400 in 2021 (increase of over 60% over 14 months). - Alternative Channels: Integration of the savings account with mobile wallet M-Pesa achieved, leading to greater convenience for customers. - Payments: Use of a self-service application to enrol in new products, initiate payments, conduct loan repayments, apply for a loan, and contact customer support. - Client satisfaction: client drop-out rates for lending at 1.5%, client drop-out rate at 1% for savings services, renewal ratios at 80% for loan products which is favourable, and coverage ratios of 72% for insurance services. - Rural outreach performance: 			Outreach and portfolio trends as of November 2022: <ul style="list-style-type: none"> - Total number of active clients: 8,870 - Total number of lives covered by funeral benefit: 44,500 - Total number of policies: 8,870 		
	Accounts	%	Product Value and Service Quality:		
Rural	7,681	67.4%	<ul style="list-style-type: none"> - Incurred (and reserved) claims ratio: 28.72% - Promptness of claims settlement: 2 days - Claims rejection ratio: less than 1% - Coverage ratio: 72% 		
Urban	3,720	32.6%			
Total	11,401 loan clients	100.0%			
Outreach and portfolio trends:					
<ul style="list-style-type: none"> - Increased overall outreach: 58% male/ 42% female - Gender trends in credit portfolio: 					
	Accounts	%			
Male	7,035	63%			
Female	4,046	36%			
Other	28	0%			
Total	11,109	100.0%			

4. LESSONS LEARNT

Financial service providers (FSPs) in underdeveloped economies can design and develop inclusive microinsurance products to increase client outreach, improve revenues, create sustainable models, retain customers, and cross-sell new products to existing clients. Through the project, Accion identified some key considerations for FSPs:

- The value of accepting microinsurance for small businesses must be tied to an anchor product. Accepting microinsurance brings a greater value proposition that leads to expansion of customers, increased customer spending, improved business management, better insight into revenue and income, ease of access to financial accounts, and safety, as well as keeping up with customer preference.
- Partnering with microinsurance facilitators is driving inclusion by reaching people and business owners who were not clients before. The growth can be driven by very small businesses especially, and to some extent by women-owned businesses. Any strategy to enable micro and small businesses should include service providers that can serve the unique needs of micro and small businesses.
- Digital infrastructure helps with customer onboarding and data collection. The lead conversion rate can be improved with digital infrastructure that allows for seamless customer acquisition and strategic use of data. Staff-assisted and self-service models like the Socremo mobile app allow customers greater flexibility and payment options.
- Payment acceptance supports growth. Microinsurance needs to be digitally enabled and automated, starting with onboarding onto payment systems, helping micro and small businesses make claims and receive payments for claims.

- Reliable and easy-to-use technology must be incorporated to increase awareness for small business owners. Continuing to strive for using technology and social media is essential to bolster adoption, use, and promotion.

Design and implementation of the intervention

From its inception, Vitamina was conceived to be a savings product with very basic features, delivered like any other competing savings product. A product review exercise revealed a rather weak uptake and low product utilisation, inspiring several recent iterations, which ultimately led to the current product. Human-centred design principles – which included spending time with the clients in their real environment, following the client leads and needs, thinking about the whole customer journey of the product, prototyping and testing the product, and small and simple interventions – influenced the product iteration at each major stage.

Table 6: Summary of savings product iterations

First Iteration		
Plan	Reality	Iteration
Deploy a basic savings product with flexibility for withdrawal at any time, but account opening only through a visit by the customer to branch office.	Very low uptake and product utilisation due to barriers in product awareness, real-time access to account information, availability of alternative deposit channels, and competitive product features.	Proactive promotion of the product through greater awareness and use of a tablet-based digital field application (DFA) for customer onboarding and account opening. The implemented promotion strategy and introduction of the DFA as an additional delivery channel led to an increase in product uptake and usage.
Second Iteration		
Increase product uptake through strong promotion and introduction of digital tools.	Product awareness driven at the corporate level; use of tablets was not sufficient without staff in the field actively opening accounts for new customers and reinforcing use for existing customers.	Introduction of incentives to field and front-facing staff to encourage cross-selling helped to correct the impression that the bank is only credit-focused and does not provide deposit- or savings-related products. This initiative saw an increase in uptake and usage, but this was not significant.
Third Iteration		
Incentivised staff with emphasis on importance of saving, paired with key product feature of flexible withdrawals, to lead to increased uptake.	No significant increase in product uptake as customers were looking for something more compelling, beyond the existing product's features and value.	Bundled service to produce additional benefits in the form of funeral insurance for Vitamina customers. Customers and benefactors receive an amount that is double the savings account balance in the event of customer death. Premiums for the insurance paid for the customer on behalf of the bank.

Recommendations for financial sector partners and for SCBF

1. **Conduct research to better understand the various MSME segments.** Market research on existing and new clients can improve the understanding of why, how, and under what conditions various segments of MSMEs adopt and benefit. Particular attention is needed to understand the specific challenges of women owned MSMEs, since operating context and support mechanisms are critical influencers of success.
2. **Invest in digital infrastructure and alternative channels.** The infrastructure and enabling environment for a well-functioning and responsible digital ecosystem are essential components of further adoption of products by MSMEs. FSPs can also reduce friction points related to client onboarding with technology.
3. **Set up partnerships.** FSPs should set up partnership frameworks to foster product design, innovation, implementation, support, and client retention. Most insurance organisations have tried partnerships before with financial institutions but have faced challenges of sustainability with voluntary products. There is a need for collaboration to create common lead generation, onboarding, and payment options that use a single point of contact and interaction.
4. **Set up easy-to-use awareness tools.** FSPs should take the lead in using digital tools to create awareness and measure the effectiveness of products.
5. **Test and make simple changes every time until you get it right.** FSPs should take the lead testing quickly and using the feedback mechanism to redesign or make simple changes to the product. Some of the initial assumptions may need to be revisited and aligned to the realities on the ground.
6. **Set up internal change champions.** FSPs should identify early adopters and high performers who become change champions to drive adoption and usage.

ⁱ The World Bank Group (2022). World Development Indicators database. Washington, DC. <http://data.worldbank.org>

ⁱⁱ Heritage Foundation, (2022) Index of Economic Freedom, <http://www.heritage.org/index/ranking>