



Private Service Provider (PSP)

A REVIEW OF PRICING STUDIES PERFORMED BY EXPANDING FINANCIAL INCLUSION (EFI) IN AFRICA

EFI PROJECT BACKGROUND

In 2013, Catholic Relief Services (CRS) – with support from the MasterCard Foundation – launched the Expanding Financial Inclusion in Africa (EFI) program in Burkina Faso, Senegal, Uganda, and Zambia. The goal of EFI is to expand financial service access to vulnerable households to improve their resilience, and does so by creating Savings and Internal Lending Communities (SILCs) using the Private Service Provider (PSP) methodology. To date, EFI has surpassed its original targets, forming more than 20,000 groups and reaching more than 543,000 members.

PSP PRICING AND SHARE-OUT STUDIES

As a result of a recommendation from a team of consultants who evaluated the EFI project in 2015, the project decided to develop two studies in order to better understand actual member payments to PSPs. The first, a share-out study, was highly granular, and compared SILC member investments and returns to the amounts paid to the PSP. The second, a pricing study, complemented the share-out study by asking SILC members for their perspectives on PSP payments.

RESEARCH QUESTIONS

The Share-Out study answered the following questions:

- 1) What is the ratio of PSP payments to SILC member savings? What is the ratio of PSP payments to SILC member profits?
- 2) What are the level and variation of member savings within each group?

How often do SILC members subtract their final loan repayment from their savings? The PSP Pricing Study was developed alongside the share-out study, but was designed to

QUICKFACTS

Project Type	Savings-led microfinance
Partner	Mastercard Foundation
Project location	Africa
Countries	Burkina Faso, Senegal, Uganda, and Zambia
# of people served	543,000
Timeframe	2013-2017

answer different questions by interviewing SILC groups and SILC group members:

- 1) How do PSPs price their services in the field? Are PSPs following the payment structure and price recommended during their training?
- 2) How frequently do PSPs visit SILC groups?
- 3) What value do the SILC group members place on the PSP service?
- 4) Can SILC groups pay the PSP more?

Data from both studies is being used to answer this overarching question: Do any changes need to be made to CRS' approach now, or in future projects, in regards to PSP payments?

METHODOLOGY

For the share-out study, EFI Regional staff developed and field-tested a modified cycle share-out form that captures the cumulative payments of each member to the PSP over the course of the cycle, as well as key cycle data that allows for finer analysis.

After an initial round of data collection in Burkina Faso and Senegal, the form was further modified to flag any savings reduction or write-off at share-out, since these affect the payment/savings ratio. An additional benefit of capturing savings reduction data is the ability to understand the extent to which members use their savings to repay their last loan, either from preference or necessity (and thus receive a smaller lump sum at share-out).

PSPs were equipped with the modified share-out form, which they completed on-site at share-out meetings. Forms were later keyed in by partner staff.

For the pricing study, EFI researchers took a sample of active PSPs that were evenly distributed across countries, partners, and field supervisors. This sample resulted in about 20% of active PSPs being included in the sample.

The researchers then took a random sample of six groups per PSP, stratifying the groups by group cycle and by savings amount. Groups were categorized as first cycle groups or higher cycle groups. The savings amounts were categorized as low, medium, and high, per that PSP's portfolio of groups. In total, from a sample of 120 PSPs, 551 groups were included, and 12,588 SILC group members participated in the survey.

The survey included a series of open- and closed-ended questions. Some questions were answered as a group – for example, how frequently groups met, how frequently the PSP visited them, and how they paid the PSP. Other questions were answered individually, by asking the SILC group members to answer multiple-choice questions by 'voting' anonymously (neither the enumerator, nor other group members, could see their choice).

The individual questions asked about the frequency of PSP visits compared to members' needs, whether members thought the price fair given the services the PSP offers, and if the members could or could not pay more. Summary statistics, chi-square tests, and regression analysis were performed. The data was organized and the analysis carried out at the country and partner level. A further analysis was done with data organized by cycle, pricing structure (flat vs. proportional), and implementation structure (normal vs. Pro-Poor).

MAIN FINDINGS

PSP PAYMENTS

- 80% of the SILC groups paid the PSPs for services provided, and there was no difference in terms of payment between first and higher cycle groups.
- SILC group payments to the PSPs for groups formed under the Pro-Poor package and the normal package were roughly equal 78% for the former and 83% for the latter.
- Most SILC groups, no matter the cycle, paid the PSP per month, not per visit. This proportion declined in higher cycles, with 87% of first cycle SILC groups paying the PSP each month compared to 64.6% and 67.4% of SILC groups in the 2nd cycle, or 3rd or higher cycles, respectively.

VALUE OF PSP SERVICE

- 93% of the SILC group members said that the price they paid the PSP compared to the value of the PSP's service was either "Just Right" or "Very Affordable" (i.e. inexpensive, given the value provided).
- A higher percentage of groups that paid the PSP an amount that was proportional to their minimum savings said that the price was just right, compared to groups that paid a flat rate (62% compared to 48.2%), and this was statistically significant.

ABILITY TO PAY MORE

- 40% of the SILC group members said they could pay the PSP more, and 60% said they could not pay more. There were no differences in SILC group members' ability to pay more based on the pricing structure or implementation package.

The full report of the PSP Pricing Study will be posted on EFI's website on the 30th of October. If you are interested in receiving an e-mail update once the full report has been posted, please send an e-mail to efiafrica@crs.org