Insights from Transactional Data

In 2020, SPTF worked with four different financial service providers to review their existing data and see how to better analyze clients' transactions and behaviors and use those data to guide strategic and operational decisions. These FSPs provided 3-5 years' worth of their most recent data. In a separate but similar project, at the same time, CERISE and members of the e-MFP Investor Action Group worked with two other FSP to draw conclusions from existing data.

The analysis of these databases showed that different segments of clients behaved differently, in terms of what types of products they used, the average amount of each transaction, the frequency with which they transacted, and their repayment behavior. In some cases, the results surprised the FSPs. In other cases, the FSPs were aware of various issues but not the extent of them. Overall, the FSPs reported that the insights from the existing data were very valuable to them.

For example, it was possible to gain some educated guesses about who was struggling. Specifically, FSPs hypothesized that behaviors such as diminished savings activity, dormancy, and/or high PAR, were signs of distress among their clients. The list below summarizes specific insights that FSPs who participated in this project discovered when analyzing further their existing data:

- Insight 1: Some groups of clients need additional outreach and support.
  - Some FSPs found their female clients had a lower loan size on average, and this gap had increased in recent years, even though their portfolio at risk (PAR) was good.
  - Younger clients were more affected by Covid crisis and needed more specific support.

- Insight 2: Granular analysis can pinpoint weakness that otherwise may go unnoticed.
  - One FSP discovered higher PAR in one particular branch.
  - One FSP found lower savings among women and youth, in spite of products designed for these groups, suggesting they would be less resilient to crisis. Learning this motivated the FSP to improve communication and focus on these target client groups.
  - One FSP found higher PAR for young clients below 35 or older clients above 75.

- Insight 3: Sometimes it's good to confirm what we already know.
  - One FSP had been planning an awareness raising campaign to promote its full range of products among clients. When the data analysis revealed just how infrequently a certain savings product was being used, the executive management felt even more sure in their decision to invest time and money on the campaign.

- Insight 4: We can gain insights into whether clients are using the products as expected.
  - In one case, the FSP found that its female clients used more consumption loans (more expensive, shorter term), even though some of the FSP's productive loans

had been specifically designed for women and would have been more appropriate to their economic profile (small businesses).

- Insight 5: Our staff could use some refreshers.
  - One FSP observed that the share of consumption loans was growing, even though its strategy was to promote productive loans. Executive management hypothesized that field officers were pushing one certain kind of product and identified a need to conduct some refresher trainings.

- Insight 6: We need to rethink pricing.
  - After analysis of its pricing data, one FSP realized its productive loans ultimately had higher effective interest rates compared to consumption loans, due to an overly complex approach to pricing and fees. The conclusion was that the pricing policy needed to be adjusted.

Excerpt from Outcomes Management for FSPs: A proposed standard framework aligned with the SDGs. For the full document click here.