Reference Savings Taxonomy Support Manual

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For the e-MFP 'Better Metrics for Effective Savings' Action Group

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Introduction to the Project

Problem Statement: How can we improve the savings outcome for different stakeholders like Financial Service Providers (FSPs) by designing better savings metrics?

Objective: Develop an approach for building a savings taxonomy which helps to improve the classification of savings data; and to better measure the outcomes from savings products for different stakeholders.

Savings Taxonomy

Taxonomy is about the laws and principles of classifying things.

From one type of taxonomy, many classifications might be produced.

Why Should Institutions Build a Savings Taxonomy?

✓ **Aligns data with objectives and maintains consistency:** A taxonomy forces the organization to classify data into one category or another. It further ensures alignment of the data set to better measure the objectives.

✓ **Allows to segregate clusters of info into actionable data:** Excess of data can create paralysis. But if the data are segregated into smaller chunks, then it is easier to analyze and intervene at the right time.

✓ **Creates accountability:** Each data point can be prioritized. Since it can be measured, someone in the team can be made accountable for its growth.

Why Should Institutions Build a Savings Taxonomy?

✓ **Develops a system to find and fill gaps:** Businesses are dynamic. Taxonomies should help to find the gaps by laying out a process to consume data in a systematic manner - new developments can be identified more easily and regularly.

✓ **Democratizes the innovation:** A taxonomy allows for fluid flow of information across all sections of the organization. Systematic access to information will allow for innovation.

✓ **Impact at the macro level:** Lastly, a taxonomy should help to drive cross learning and push towards standardization and identification of best practices. For e.g., book e-commerce companies have achieved near standardization in the way merchandise are arranged. Others have learnt from each other making the overall improvement in the industry supply chain much faster.

Impact of Savings Taxonomy

|	TENURE		
	Immediate	**Mid-term**	**Long term**
FOR WHOM	_For financial institution_	_For financial institution/ immediate eco-system_	_Across institutions and geography_
HOW	- Helps to prioritize, fix responsibilities to deliver outcome from savings - Develops a systematic approach to identify gaps. Due to it, institutions get space and time to respond to the users' needs rather than building ad-hoc or at the last minute.	- Defines a common approach for designing savings objectives and their measurement. - Standardization of metrics definition across institutions.	- As institutions move towards digital solutions, they will collect more data. A well-defined data structure will help the ecosystem to zoom in on any success to define its winning parameters and create a blueprint for its replication.
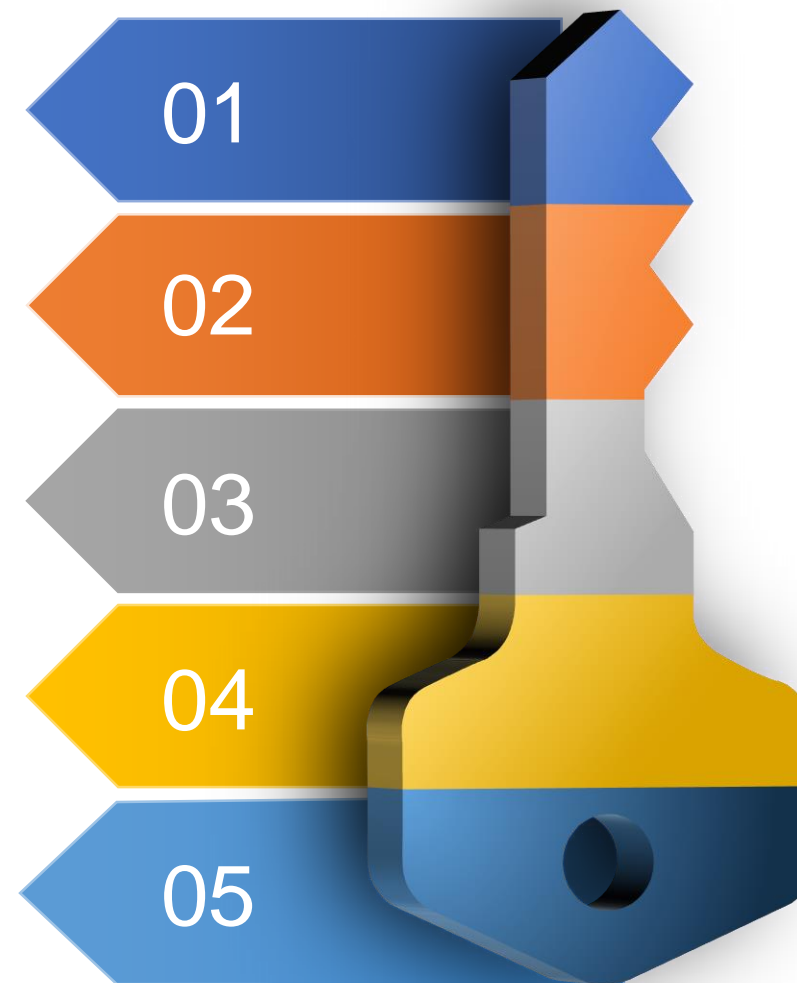
Variables of Building Savings Taxonomy

Variables	Definition	Example
Objective	Broad aim or outcome of the savings solutions	Business, etc.
Category	Various elements which constitute an objective	Outreach, Client Progress, Capability, etc.
Sub-category	Specific measurable institutional data set used to measure the category	For Capability -> Digital Transactions, Transactions
Data Type	How the indicator will be represented. There can be multiple depending on the audience and objective - e.g., Total AuM, YoY change	In Number, %, etc.
Source	What is the source of data	Transaction sheet, server details, etc.
Frequency	When and how frequently indicators will be measured	Yearly, monthly, etc.
Indicator	How are the metrics represented? MIS personnel will only look at it.	e.g., % of digital transactions

Data Arch of Savings Taxonomy
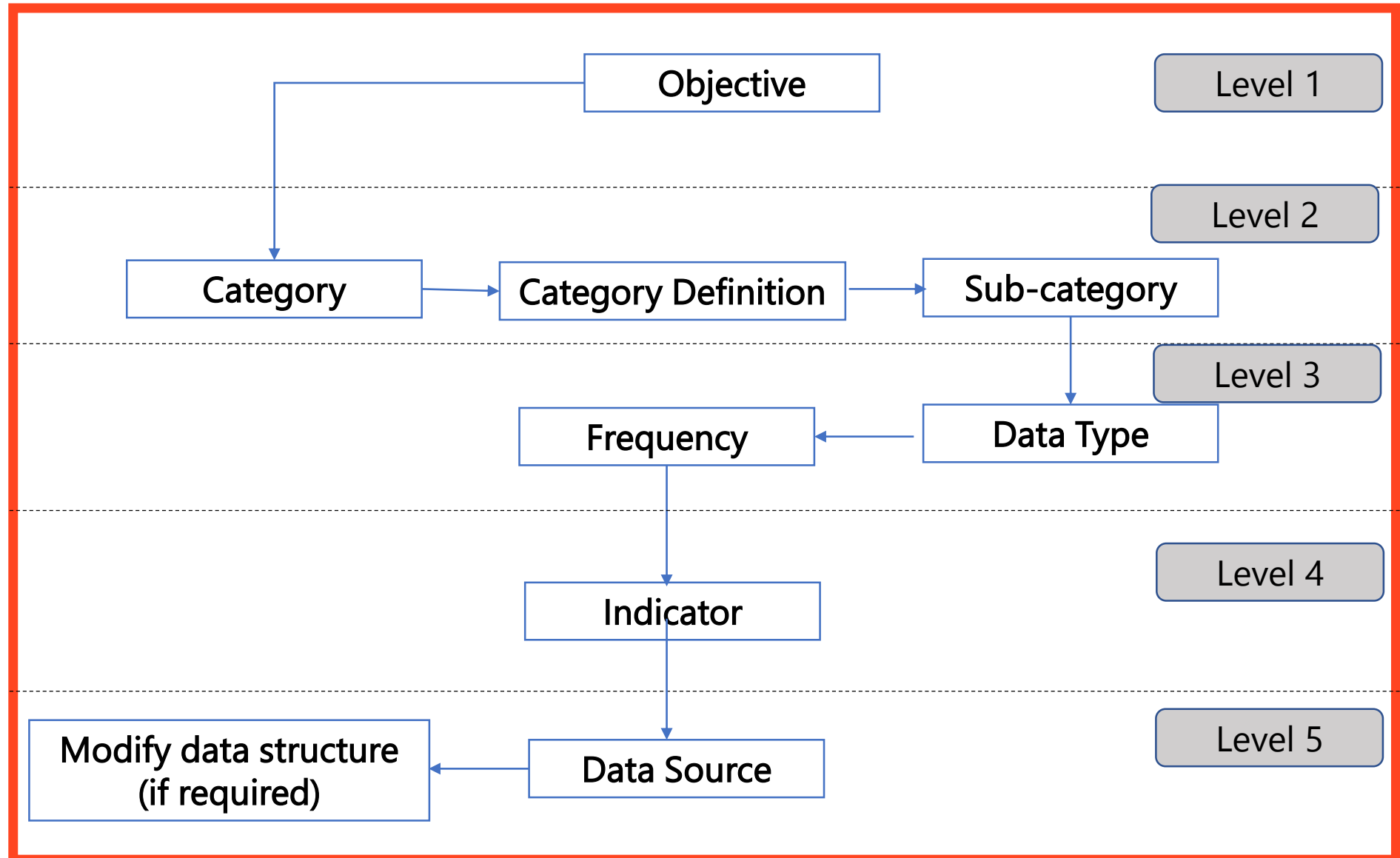
Steps to be Taken by FSPs

1. List down the core objective(s) of the savings -> should already be available.

2. Choose which data category(ies) define FSPs core objective(s) -> Excel reference taxonomy can be of help.

3. Lay-down the metrics -> Excel reference taxonomy can be of help.

4. Divide the metrics into available or not available data.

5. If available, structure the metrics by linking them to the core objective(s).

6. Ask IT/MIS team to publish the available data frequently and make someone responsible for the outcome.

7. If data are not available, see if these data are a priority. If not, do not add effort to collect them. If they are, seek the route of least effort to collect them.

Reference Savings Taxonomy
User Manual

- The Excel file 'Reference Savings Taxonomy Nov2021' is a document to be used only for reference. It was prepared following interviews with FSPs from all around the world. The objective(s) of your organization for providing savings products can be different. Revisit those objectives once again.

- Even if the objectives are different, you can still refer to different categories and sub-categories from the reference savings taxonomy. You can change categories and sub-categories depending on your priority regarding the savings products. Based on your organization's needs, you can decide the frequency at which you require the data and define the exact indicator.

Process to Build a Savings Taxonomy

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1. Broad objectives - intangibles → **2. Break down objectives into tangible parts Define category and sub-category** → **3. Define the frequency & source**

Key questions to ask

- What are the major objectives to achieve from savings? Do I want to follow them exclusively?

- Do the objectives cover all major stakeholder' requirements?

Final outcome
- List of major objectives - broad areas which impact the desired outcomes from savings

- What are the immediate & long-term measuring yardsticks – or categories for each objective?

- Define each category so that they are mutually exclusive.

Final outcome:
- Clear and definite data points to measure the categories

- How frequently do I meet on savings products outcome for different objectives? e.g. business outcomes may be discussed more frequently than impact outcomes

- Do the data sources fulfill the data requirements to build the taxonomy?

Final outcome:
- Do the IT/ MIS personnel have an indicators list?

Step 1: State the Objectives

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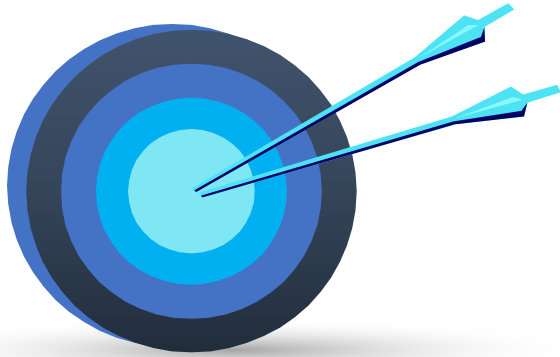
What are the broad areas/objectives which should impact savings outcomes?
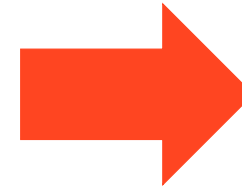
Reference savings taxonomy

Based on the interviews with FSPs, we have defined 4 broad areas to measure savings outcomes:

- ✓ Business Growth
- ✓ User Experience
- ✓ Impact on User
- ✓ Safety of Deposits

Objective | Category & sub-category | Savings Taxonomy | Adjust frequency & match

Step 2a: Break down objectives into tangible parts - Define category

Objectives	Categories			
	Business	User	Impact	Deposit
Business	Growth	Service	Outreach	Obligation to deposit
User	Usage	Consistent	Client	Insured
Impact	Access	Persistence	Resilience	Transactions Update
Deposit	Deposit Distribution	Retention	Capability	

Place objective here

Pick an objective

e.g., Business

Start breaking down the objective into its different categories. For e.g., Business can have measurable categories such as:
- ✓ Growth
- ✓ Usage
- ✓ Access
- ✓ Deposit Distribution

Note:
- Most categories would still require a little expansion so that they can be tagged with definite savings data.
- Define categories succinctly and ensure that most are mutually exclusive.

Objective → Category & sub category → Savings Taxonomy → Adjust frequency & match

Step 2b: Break down categories into tangible parts - Define sub-categories

Categories		Sub-categories		
Business	User	Growth	Usage	Access
Growth	Service	Users	Deposit	Service Points Deposits
Usage	Consistent	AUM	Withdrawal Transactions	Service Points Withdrawal
Access	Persistence	Deposit Loan A/c	Deposit to Withdrawal Transactions	Regional Service Points
Deposit Distribution	Retention		Total	Branches

Pick any category

e.g. Growth

Place category here

Start breaking down the categories into different sub-categories which are easily measurable through the existing data set

Growth can be measured across:
- ✓ Users
- ✓ AuM
- ✓ Deposit A/c to loan A/c

Note:
- ✓ Do not label sub-categories with frequency or what type of data is required. For e.g., say 'users', avoid 'number of users'.
- ✓ Sub-categories can be represented in multiple ways - e.g., 'Users' can be represented as 'number of users', 'change in % of users from last year', etc.

Objective → Category & sub category → Savings Taxonomy → Adjust frequency & match

Step 3: Choose the right data type, desired frequency and name the indicator

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Objective	Category	Sub-Category	Data Type	Frequency	Indicator Name (Manual)*
Business	Growth	Users	Absolute (in Number)	Monthly	Total number of users savings account
Business	Growth	Users	Change from last count	Yearly	Increase in total number of users since last year
Business	Growth	AUM	Absolute (in Number)	Fortnightly	Total outstanding savings
Business	Growth	AUM	Average	Yearly	Average savings per user
Business	Growth	AuM	Change from last count	Yearly	Increase in total savings since last year

*Note: Indicator name is manually written to customize the name per the custom of the institutions.

Objective ➤ Category & sub category ➤ Savings Taxonomy ➤ Adjust frequency & match

Step 4a: Adjust the desired frequency based on the current frequency of data flow

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✓ Depending on the institution, availability of data types may differ. Fintechs may have all data in real time while a remotely located Self Help Group (SHG) will tally its users' data only at the month end. An institution can have varied data sources. Broadly, they would be divided into following 4 sources (see the table below)

✓ If data tally happens monthly, then any frequency above monthly is feasible to present, any frequency below monthly will require changes in the frequency of data collection.
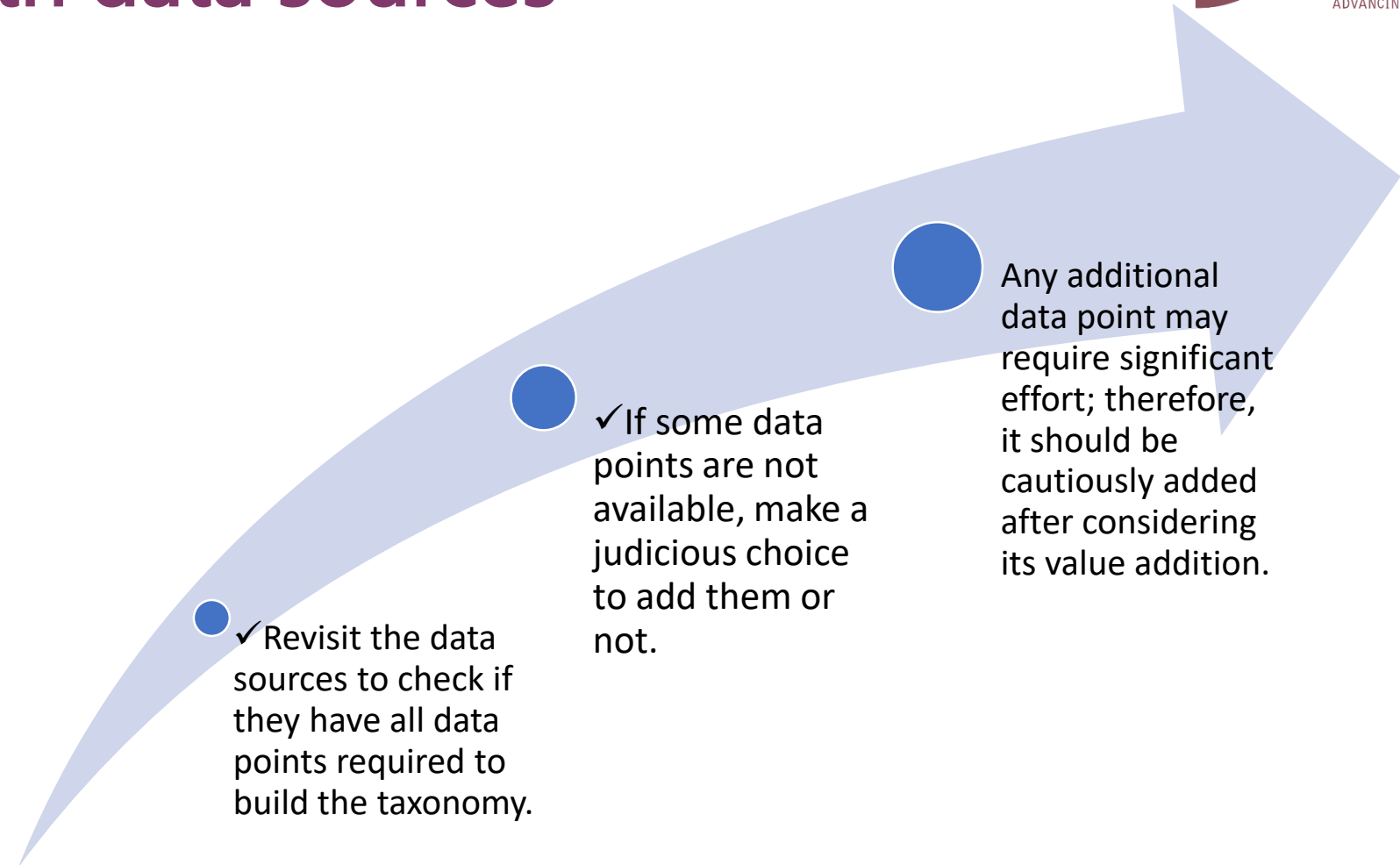
	Data Sources	Frequency available
1	Customer level onboarding data - e.g., customer registered	Monthly
2	Customer level transactions data - e.g., deposit/ payment/withdrawal	Fortnightly
3	Institutional data - e.g., # of branches, ATM	Monthly
4	Qualitative data – e.g., NPS score	Half Yearly

Frequency available = when the institution tally data from a particular source

Any qualitative data – e.g., user feedback may be feasible only half yearly

| Objective | Category & sub category | Savings Taxonomy | Adjust frequency & match |

Step 4b: Match the data points required with data sources

✓ Revisit the data sources to check if they have all data points required to build the taxonomy.

✓ If some data points are not available, make a judicious choice to add them or not.

Any additional data point may require significant effort; therefore, it should be cautiously added after considering its value addition.

Objective | Category & sub-category | Savings Taxonomy | Adjust frequency & match

Checklist for Final Taxonomy

The Savings Taxonomy will require regular updating (at least once every 2-3 years) to match the changing institutions' needs.

- The structure of the savings taxonomy should allow for regular updating even of a part – e.g., addition/deletion of objectives, changes in objective or category definition, etc.

- Look for regular feedback from the internal stakeholders to ensure that the savings taxonomy is able to meet the expectations from the business and user ends.

Reset objective

Consult

Build

Test

Confirm

Modify
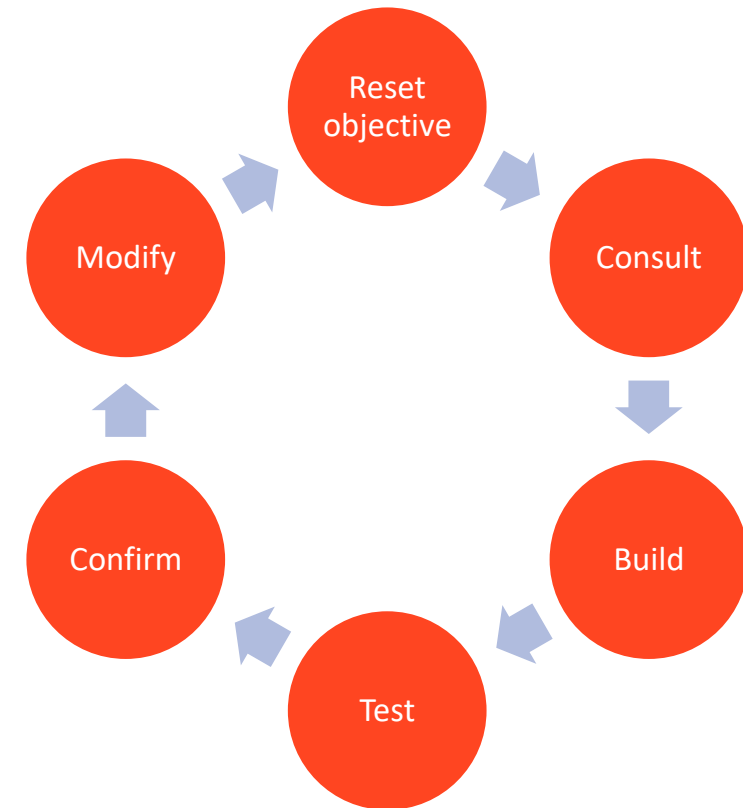
Process for updating of savings taxonomy

Use cases Snapshot*

## Use case 1: Building taxonomy or reviewing one of the objective

Build Savings Taxonomy

Objectives   Business   User Experience   Impact   Deposit Safety

Objective	Category	Sub Category	Data Type	Indicator	Frequency 1	Frequency 2	Frequency 3	Source 1	Source 2
Business	Growth	Users	Absolute (in Number)	Total Number of Users	Yearly			Monthly User Update	
Business	Growth	Users	Change from the last	Change in Total Number of	Yearly			Monthly User Update	
Business	Growth	AUM	Absolute (in Number)	Total AUM	Yearly			Transaction Sheet	

Snapshot
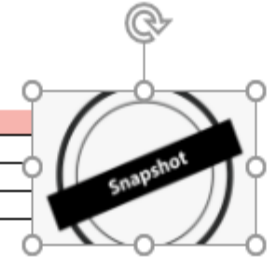
Use case 2: Specific category outcomes

Savings Catalogue

Choose Objectives	Choose Category	Choose Sub-Category	Indicator Tracked & Value
Business	Out reach	Digital transactions	% of digital transaction in a year = 25%
			YOY growth of digital transaction = 10%
User Experience	Client Progress	Self vs. assisted transactions	
Impact	Capability		
Deposit Safety			

Snapshot

*Note: Both use cases would be better met on a data management platform. In Excel, use case 1 is built with some limitations.