

The benefits of signing the **Linking for Change Charter** and joining the Alliance

Today, 2.5 billion people lack access to formal financial services. Having access to such services can transform the lives of vulnerable and disadvantaged individuals, enabling them to increase their economic security and resilience, and opening up opportunities for them to fulfil their potential.

Since 2009, Banking on Change, the partnership between Barclays and the charities Plan and CARE International, has been using a savings-led approach to financial inclusion that has already opened up access to financial services, and given the skills to save, to over half a million people. It has developed a model for linking informal savings groups to formal banking services.

But we need to do more. This is a global challenge that requires global solutions and we are now calling on the support and expertise of the world's top leaders to spread our reach and capabilities. This is an opportunity for you to join our Alliance and really make an impact.

Why are you being approached?

You have been selected as a prospective signatory for the Linking for Change Charter. This is because of the role you and your organisation could play in fulfilling our vision to bank those without access to formal financial services.

What are the benefits of this Charter?

This model works. We are now taking the principles and tested approaches that we've used over the last four years and are extending them to other companies. This is an important milestone in our drive to link formal and informal banking.

Initial results of linking savings groups to banks suggest that:

- Savings per member increase by between 40% and 100% after a group has been linked
- On average, the profit per member doubles once a group is linked
- People save more and therefore can take bigger loans to invest in new types of activity, or can take loans to cover school fees AND invest in business (not one or the other)
- Individuals graduate to the formal financial system. About 13% of group members are willing and able to open individual accounts once they have been linked as a group.

What is your commitment?

In signing the Linking for Change Charter, you acknowledge our shared vision and agree with our principles. Both the vision and the principles can be found in the attached Charter. You have two options for the level of involvement you commit to in joining the Alliance:

Option 1: A strong 'Supporter'

You share our vision and agree with our principles to link informal savers to formal financial institutions.

Option 2: An active 'Implementer'

You share our vision and agree with the principles and you will directly or indirectly link poor savers to formal institutions.

Direct: You might be a formal financial institution that will scale up or develop new models of banking with the poor, or a technology company that is providing new products (mobile or otherwise).

Indirect: You might fund financial literacy, be a government or a donor that promotes savings-led approaches, or be an NGO that facilitates savings groups, or calls for strong consumer protection.

For the benefits of signing this Charter, please see overleaf:

Benefits of becoming a 'Supporter' or an 'Implementer':

1. Collaboration with other leaders

As one of only 100 signatories of the Charter, you will be among the leaders in an innovative field working together towards solutions to this global issue.

2. You will be at the forefront of financial inclusion development and benefit from insights

You will receive updates and insights about savings-led approaches to financial inclusion and learn how to develop new products and services to meet an emerging market at the base of the pyramid.

3. Support significant social impact

Banking on Change adopts a savings-led approach to microfinance and is not credit-led. Savings-led financial inclusion has been shown to be positively correlated with escaping poverty. Between 2010 and 2012, in Uganda savings groups' monthly household income rose from US\$60 to US\$95, while in Zambia there has been a 35% increase in the number of women holding leadership positions at the community level.

4. A significant return on the time you invest

If you choose to sign the Charter and join the Alliance, you will benefit from a significant return on the time you invest, as well as the learning of your peers and their networks.

Additional benefits of becoming an 'Implementer':

5. Better business outcomes

We will build the case for viable long-term business models that can change poor people's lives, and thereby generate a new business stream/customer base for your organisation.

6. Evidence of responsible action

By following the principles in the Charter, you can actively demonstrate your commitment to developing responsible solutions that meet the needs of both the communities and customers you serve.

7. Risk management

By signing the Charter and following the principles, you can engage with those at the base of the pyramid in the right way, reducing potential risks and delivering more successful and sustainable results.

Why are we doing this?

- 2.5 billion people in the world have no access to formal financial services. In sub-Saharan Africa, financial exclusion is as high as 76%.
- Irresponsible lending by the semi-formal sector has called micro-credit into question.
- Yet, there is a savings revolution taking place around the world with nine million informal savings group members, who are largely keeping their money under their mattresses.
- The 2.5 billion un-banked are a missed opportunity and represent a huge pool of potential customers, worth an estimated US\$145bn, who are not depositing in savings accounts or passing through other formal financial channels.
- Demand exists. Poor people are already linking to the formal financial sector, but the products and services they are offered are not the most suitable ones.
- Responsible linkage between the untapped potential of informal savings groups and formal financial institutions could help begin to sustainably close the gap that exists between rapid economic growth in poor countries and unacceptable levels of poverty.

For more information on what has already been achieved through Banking on Change, please reference our booklet or website: www.barclays.com



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