Jipange Sasa:

A little heaven of local savings, hot technologies and formal finance

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Kibera, a slum-city located wholly within the Kenyan capital of Nairobi, is home to a more than a million people.

In the rainy season, its roads dissolve into brown glue, slowing the daily travel of residents who, even in good weather, live hours from their places of work or from the markets they rotate among to sell what they have to sell. In the dry season, its roads harden and buckle, redirecting the course of sullage that sometimes passes for water in Kibera. In the violent season, during political elections, its roads lead desperate families out of the slum and into hiding up-country.

Kibera has no public system of toilets, roads, schools, or sewage. It has no police. Residents must purchase the water they drink.

Imagine yourself in Kibera. As you plod along its lanes, edged by a cookie-dough of human waste, taking in the rot of the streets, breathing its decay, you might not dare to image that a few people are beginning to hoist themselves out of Kibera. But, in fact, that is exactly what is happening.

The man making this possible is Lukas Alube: educator, firebrand, and financial engineer. He has spliced together a grid of real and virtual money served up by the market, the hottest technologies available, and unstinting volunteerism.

The result: Those who were once considered some of the poorest residents of Kibera now save regularly, self-insure against the death of a family member, and invest in securities flowing through the Nairobi Stock Exchange. This fresh breed of investors is able to fund its daily consumption of food and water, set aside money for household emergencies, and plan - against all odds but not, as we shall learn, not against all hope – for a future beyond Kibera.

This article is about how savings groups start slowly, growing out of local savings and burial practices. When trust among members is firm, groups evolve into village savings and lending associations (often called VSLAs). As money circulates in the associations, members begin to improve the efficiency of their financial self-service. With the help of Jipange Sasa, the organization formed by Alube, associations graft their simple practices onto a telecommunications and banking platform unique to Kenya. They use the platform to speed up bookkeeping and deposit-making; increase the amount saved in group funds and in the bank; and invest, surprisingly, in the Kenyan stock market.

The Ministry of Finance

Alube was born in Kibera, and educated as a library scientist. He spends his days picking his way along the rough paths of the slum to dispense ideas, scold pessimists, and encourage all who will listen that they can, if they work together, find ways to leave their poverty behind.

Trained in community finance by the Chalmers Center of Economic Development, Covenant College, Alube landed on the work of Hugh Allen - an early pioneer in village savings and lending - during a workshop sponsored by the Anglican community. Allen's model instantly caught the activist's attention. "The approach was so relevant," Alube remembers. "At last I had a practical way to help people stuck in their routines of daily survival." Alube believed that Allen's bare-bones approach to financial development could make an immediate difference in Kibera.

He began to try his hand at forming savings groups. The groups worked. Emboldened by success, Alube launched Jipange Sasa ("Plan Now") in 2004. Jipnge Sasa is a small voluntary organization that helps people wrest the money they need from meager livelihoods so that they can one day leave Kibera. As Alube puts it, "This is not a place that you work to improve. People here must get out and for that they must fight." Savings is part of the fight. So are savings groups.

Alube manages fifteen such groups, but has coaxed many more into existence. His world is one of 'paying it forward.' Groups thank him for his time by forming other groups.

Jipange Sasa spreads its financial gospel in several ways: its volunteers form new groups but also teach existing self-help clubs, abundant in Kibera, to add savings and lending to their missions. Originally, these clubs sprang to life from a call to do civic work. Club members collect and dispose trash, police the local neighborhood, and care for children. By adding savings and loan services to their activities, self-help clubs have more money to invest in their social work.

"In my own groups," Alube says, "the ones I begin from scratch, I have had to start very simply. With 'dear ones' [he refers to the poorest of the poor as 'dear ones'] I must begin at the beginning. I work with what they know, where they are and what they fear. These members are often new to Kibera, are out of money, frightened, and a little desperate."

Alube starts his dear ones off with a merry-go-round, a kind of savings club pervasive throughout rural Kenya. The rules of a merry-go-round seem familiar, and therefore safe, to dear ones. Ten or twenty members gather into a club. Each member chips in the same sum of money every week and every week one member takes the whole sum home. Over the course of time, each has a turn at receiving the lump sum.

After a merry-go-round is up and running, Alube begins to address what his dear ones fear most – the death of a family member. Custom dictates that the residents of

Kibera observe the rituals of village burial: “They worry about living so far away from home and about the enormous costs of a proper ceremony. How will they ever come up with amount they need?”

He encourages members to start a burial fund with each member contributing the same sum every month, from 10 – 50 shillings (about 13 – 65 cents), depending on the amount agreed on which a group has agreed. Funds are deposited in a bank,in this case, Equity Bank, with a branch just at the edge of Kibera. The burial fund is not touched until the relative of a member dies. In the event of death, the member receives a fixed amount - never enough to cover the full costs of a funeral, but always enough to help the member begin preparations.

Drawing on these two basic services – the merry-go-round method of savings and the burial fund method of insurance – Alube helps the groups to make their practices a more sophisticated. He advises them to allow a portion of their savings to accumulate, and shows them how to lend this new pool of funds to members.

Members borrow to fund emergencies, purchase drinking water and food, or travel to and from Kibera. Once members trust each other and the system, Alube encourages them to develop joint businesses. Not every member participates in a business collective, but many do. They enjoy the confidence gained by working shoulder-to-shoulder with others in the same situation. Together members sell vegetables or run a matatu (taxi) service, or vend shoes and clothing. The most profitable business, Alube says, is to install a tap and supply water to neighbors for a fee.

During the process of coaching groups, Alube metes out financial advice: avoid local microfinance institutions (“interest rates are exorbitant”); reject get-rich-quick offers (“scams are everywhere”); and save every single day (“even five shillings makes a difference”). He also teaches members to plan and to save for a reason (“without a reason, a saver is a miser.”)

The Technology of Transfer

Daily deposits, a cornerstone of Jipange Sasa’s teachings, are difficult for members to make. The solution? Integrate a human web of local deposit-collectors into mobile phone-based cash transfer system, in this case M-PESA.

Let’s back up a bit to learn what happens normally in the absence of such a solution.

Normally, many small expenses – from drinking alcohol to mobile texting - dissipate what little cash might gather in the course of a day. To shield money from temptation, the saver must make a constant effort to move cash out of his pocket and into a safe place. The group fund is that safe place. But in normal circumstances, making frequent deposits is next-to-impossible.

Members reside in Kibera but earn their livings far from where groups meet. They can spend hours on public transport traveling to and from their livelihoods. Many work in the evenings as guards or in other night-shift jobs in scattered and distant sections of Niarobi. For these members, attending weekly meetings is out of the question. But, letting cash lay idle or close-at-hand for a month eliminates the chance it will pool into savings. Loose cash is too easily spent and too easily stolen.

Despite hardship, most group members are able to put about 10-50 cents, daily into the fund. Some cannot save every day but can do so weekly. How do they manage this?

Jipange Sasa has knit together its far-flung savers though an ingenious network of group deposit-collectors and cash-transfer agents.

Deposit-collectors are unpaid members of a savings group, who volunteer their services for the good of their fellow members. For example, a group of fifty members might have five subgroups, each with a designated collector located close its membership. Collectors, daily or weekly, seek out members to take in cash savings; or alternatively, members seek out collectors to give them cash savings.

Next, deposit-collectors use their mobile phones to forward the cash through M-PESA to the group account managed by the treasurer.

Commercially launched in 2007 by Safaricom (Kenya's largest telecom), M-PESA is a service that allows customers to make cash transfers, using their Safaricom service. A network of 10,000 authorized agents across Kenya forms the retail backbone of M-PESA. Customers visit an agent – there are forty agents in Kibera alone – to deposit cash, which the agent turns into stored value in their M-PESA accounts. For many, M-PESA has become a savings account. Customers can transfer the cash to relatives or creditors but they can also keep a balance in their account and withdraw money as they wish.

M-PESA is useful to individual customers at any income level, but the service is also used by savings groups. At the end of a working day, a group deposit-collector will visit an M-PESA agent to deposit the cash of his sub-group. When he is ready he will forward it to the group fund.

For example, if a group agrees that members will each save 10 shillings a day each (about 12 cents), and the collector is responsible for the deposits of five members, by nightfall the collector is able to deposit 50 shillings into his M-PESA account. Weekly, for a fee of 25 shillings or around 33 cents, the collector forwards the $3.00 cash from his personal account to the group account by using the 'send money' feature on his phone.

In this instance, the sub-group is willing to spend 11% of its funds on forwarding cash. Alube says the tradeoff is worth it. First, members can move the money out of their pockets and second they can do so without the cost of a long commute. If members save more, the cost of cash transfers decreases in relation to savings, since M-PESA charges a flat 25 shilling rate for small transactions.

To withdraw cash in preparation for the meeting, the group management committee visits an M-PESA agent; each committee member punches in a specific number of a PIN code that only he knows in secret. They withdraw money from their joint account once per month to satisfy member requests for new loans. One M-PESA agent, belonging to a group himself, is particularly helpful to Jipange Sasa savers by making sure that he has enough cash on hand to meet group requests for withdrawals.

Borrowers in the group make loan payments in the same way, forwarding payments via their phone to the group account.

Time is Money

Many benefits, let's call them bonuses, have grown from the new financial web patched together by Jipange Sasa.

Bonus one: members save time. Members no longer need to make regular visits to the treasurer to rid themselves of cash, lest that cash be frittered away. In the past, a member had physically to bring money to the treasurer to keep it safe, and coordinating those visits with their other work was difficult. But now, by handing cash to the local collector, who in turn forwards it to the group account, a member is able to deposit more frequently at less commuting cost.

Bonus two: increased savings in time translates into increased savings in money. Says Alube, "We have more people saving more often, which means more savings is taking place in a month." Under the old system where collections took place at monthly meetings or during visits to the treasurer, regular savings was a challenge. Many enticements parted savers from their cash as they waited days or weeks for the next group meeting.

For example before the emergence of Jipange Sasa's new money transfer web, out of a group of fifty members, ten might visit the treasurer to make daily deposits, twenty to make weekly deposits, and twenty to make monthly deposits. Now, with daily collections possible, all fifty members can empty their pockets often, to stow cash in the group fund.

Bonus three: groups can predict and solve problems before they become crises. The group management committee – elected by members – meets each week to review cash collected in the communal fund via M-PESA. Prior to the creation of the collector-agent network, the committee could track savings and payments only at group meetings. Now the committee can seek out struggling members to resolve problems before too much time has passed.

Bonus four: groups can replace the tedium of paperwork with more engaging activities. Since the management committee now accounts for cash before meetings, groups have shifted attention away from the mind-numbing sport of record-keeping to more interesting affairs like loan disbursal, neighborhood safety, and better ways to earn a living.

Mobile Cash Equals Mobile Membership

In Kibera, daily travel is the norm, with most members leaving each morning or evening to distant markets and workplaces.

Charles Oronje, a promoter of Jipange Sasa, relates a more striking example of dispersion. He started the Gatwikera Railway Savings Club in 2004. Not surprisingly, the club meets along the train tracks that slice through Kibera and run north to Uganda. Leaning on Alube for help, Charles began his savings group with eleven members and over three years grew it to include fifty-four members. As the group expanded it took on people of different ethnic backgrounds.

In December, 2007, violence erupted in Kibera. Fires burned whole streets, market stalls and homes, to the ground. Voters, largely divided along ethnic lines, were protesting the national elections. Suddenly, part of the slum was on the run. Without warning a big share of the Gatwikera Railway Savings Club vanished, never to return.

Inside his humble carpentry shed, Oranje recalls what happened. He clears a table of tools and wood shavings, spreads open the club record-book, and points to a few names. "We can't find these people," he says.

Members left without a trace when bloodshed sent shockwaves through the settlement. "We have no way to know where these people are and can't return their savings to them. It's so sad." At that time, unlike today, most members did not have cell phones or cash transfer services.

Alube explains that with M-PESA, groups can unfurl into the far reaches of Kenya, and still, if need be, offer their members the chance to retrieve their savings. "If a similar problem happened today," Alube believes, "we could reach uprooted dear ones."

Oranje and Alube muse about the future. Technology, they agree, makes so many activities possible. Members move out of Kibera for many other reasons than election-time violence. Some leave to migrate for work, to visit family, or to take up residence elsewhere.

Alube wants members to be free to go and still have the services of the group, at least their savings. And why not? His financial improvisation draws on a telecommunications and cash transfer system that spans all of Kenya and just recently penetrated Tanzania.

What Goes Round Comes Round

Digital money transfers and a net of volunteer deposit-collectors facilitate the movement of cash, but tell only part of the story of savings at Jipange Sasa. Savings means sheer discipline, believes Alube. It requires regular acts of thrift on the part of members. But it also requires a forward look.

As a route out of poverty, saving must include more than measured sacrifice. It must include investment, the kind that comes from the same wealth-building opportunities that make rich people rich.

Groups liked the idea of the stock market, after Alube explained to them how it worked, but were unfamiliar with how to go about investing. Alube did his research and asked for help from places like Equity Bank and Zimele Asset Management. And volunteer help did come in the form of experts who visited groups and explained investment choices.

After discussing possibilities relative to what members could afford and risk, groups decided to purchase shares in a unit trust, a Kenyan investment vehicle similar to a mutual fund. Trust managers, in this case Zimele Asset Management, invest in securities traded on the Nairobi Stock Exchange. Using M-PESA, groups can forward as little as $3.20 per month to top up their Zimele accounts.

Groups all plan to cash out of their unit trusts one day, either wholly or in part. Members hope to spend funds on long-term financial goals like a down payment on a home (with the possibility of an NGO match), on schooling, and on their retirement.

Individual members have started developing their own investments. Weekly, they send funds into personal unit trust accounts. Some have even purchased shares in Safaricom itself.

Long-term investments in equities balance daily savings put towards survival in Kibera. While such strategies seem smart, they are of course, risky. “But, putting money in the market is more than finance,” says Alube. “It is a way we express our hope. And, we have more than hope in the market, we have faith as well. We must because we are now part of it.”

By blending the forces of the formal financial sector with a call to social good, Jipange Sasa has created a hybrid worthy of attention. The expansion of M-PESA beyond Kenya makes it possible to imagine savings groups as nodes in a financial network of global reach. Members who flee sudden violence or migrate to new markets need not abandon their involvement in home spun groups. Conflict is no longer a financial centrifuge. Nor is economic opportunity. The tethers of Jipange Sasa, ever more elastic, can keep members centered and connected.

As Alube concludes, local savings added to the possibilities of finance through technology, “are giving dear ones a glimpse of their own little heaven beyond Kibera”.