Boresha Maisha Digital Savings Platform

Mfumo wa Kidijitali wa Kuweka Akiba na Kukopeshana (Digita Saving Groups DSG)

- Usalama wa Kutosha
- Kupunguza hofu ya kujiwekea akiba
- Kupunguza Msongamano wa utunzaji kumbukumbu
- Kukuza na Kuendeleza Seckta Binafsi
Aga Khan Foundation (AKF)

AKF, which is part of the Aga Khan Development Network (AKDN), brings together human, financial and technical resources to some of the poorest and most marginalized communities in the world to improve overall quality of life. In Tanzania, AKF’s work in Savings groups dates back to 2009 through a multi-input area development program in southern Tanzania.

AKF’s community based savings program in Tanzania has ignited the quest for a human centric digital financial solution with huge potential for scale.

Here’s a digital financial solution that works for especially the poor.
Partners

Selcom:
A Tanzania-owned, market responsive digital payments company with focus on m-commerce, e-commerce, issuing, acquiring and over-the-counter (OTC) transaction processing services. - Platform & backend

BFA (Bankable Frontier Associates, LLC):
A global consulting firm specializing in the development of financial services for low income people around the world by partnering with financial and non-financial institutions that target low income customers to generate solutions to financial challenges faced by low income people. - User journey & research

Financial Sector Deepening Trust (FSDT) Tanzania:
A donor funded Trust with focus on driving Financial Inclusion in Tanzania - Strategic Partner (Guidance) & Funder
Background

- **9,200** (cash-based) Community-Based Savings Groups
- **184,000** group members (66% female)
- **$69m** mobilized by 2017
- **250** Village Agents
- **Digital platform deployed**: 11 groups under pilot, in cycle 2 now
The Problem

- Risk of theft of member savings
- Cost of outreach – in fragmented remote populations
- Complexity of record keeping and share-out calculation
- Limitation on savings in cash-based Saving Groups
- Challenge for long term savings
- Limited access to member credit history
- Formal Linkages particularly for rural population
Solution - Digital Savings Platform

Selcom
USSD
SMS

Digital MFI
Brand

Bank X
Bank accounts
Idle funds

In-House
Customer Service

Master Trainers

DSG
Platform (SaaS)

Selcom Agents
Other Agent networks
MNO Agents*

*C2B fee applies
Digital Savings Platform: Product development story

Cash Based Groups
By 2015 Aga Khan Foundation (AKF) in partnership with Financial Sector Deepening Trust Tanzania (FSDT), had successfully established more than 9,200 cash-based savings groups with 184,000 savers in rural South East Tanzania – two-thirds of whom were women. These groups saved over USD $60 million (TZS 120 billion) from their inception, and maintained an 83% annual continuation rate.

Address the challenges of Cash Groups
The opportunity was clear: mobilize new mobile money users including rural women and the poorest, through digital savings groups (DSG’s).

Partnerships
We got the right partnership: Selcom - Tanzania’s leading payment and mobile money platform. BFA - a consulting practice specializing in digital financial inclusion served as facilitator of the process. FSDT Strategic partner and Funder

Development
Today, the platform has tested user experience with live groups in a pilot project and is further improving the offering. We also researched behavioral change.
**Digital Savings Platform: Design Principles**

1. Eliminating cash and bookkeeping *without* undermining trust.

2. Platform should have a semblance of the community based savings group model.

3. Group members continuing to meet physically, retaining the social capital that savings groups offer.

4. The product to complement ongoing efforts to build an ecosystem of digital payment opportunities for financial services micro-businesses that generate the majority of employment in Tanzania.

5. To cultivate a culture of female DFS users given savings groups’ membership is 80% women - to enhance the use of enabling technology to promote the empowerment of women.

6. Contain variety of use cases: paying in, sharing out, checking balances, keeping track of loans, getting paid out on a loan. Each use case providing an opportunity for client based service offerings.
Digital Savings Platform: How it work?

- Members cash into a mobile wallet at an agent (presently integrated with Airtel, Tigo and Vodacom; Halotel and Smart can be integrated in time)
- The group is initiated by adding 15-30 members to the platform, creating the group account on the digital platform
- Members pay savings from their chosen wallet outside the meeting
- Member can access savings report at any time
- Group meets face to face twice per month
- Loans are issued during face to face meetings, and are limited to 3x the member’s savings balance
- At end of cycle, the group shares out
- Members are currently charged a TZS 10,000 user fee per cycle
Digital Savings Platform: Key Lessons

Collaboration Over Contract Negotiation
- The team brought their best game to the table:
  - AKF knew client needs and pain-points so they led design. Selcom brought its technological know-how.
  - BFA consulting practice specializing in digital financial inclusion served as facilitator and “mid-wife” of the process.

Individuals & Interactions Over Processes & Tools
- The introduction of new services - financial or otherwise is tricky, especially for marginalized groups. Understanding the customer journey was central:
  - BFA and AKF tested small iterations of change along the way developing clear ideas about what groups could and could not manage.
  - AKF converted their depth of knowledge into customer-centric digitization.

Responding to Change Over Following a Plan
- The team’s hybrid process was certainly messy agile, as a number of the pieces were tested after significant development and checked for “bugs”. The messiness allowed for the product to be tested iteratively, but less often than an agile process would typically demand.

Working Software Over Comprehensive Documentation
- Even though a complete set of agile-style documentation was produced as a by-product of the design process, it proved to be insufficient as input to remote development because participation of the development team was not as intensive in design as initially anticipated.

Research Findings
- 74% of DSG members stated that they were able to deposit savings without assistance.
- Of members that left DSGs in cycle one, 70% said that they would consider joining a DSG again at the end line survey.
- 100% of DSG members strongly agreed that money stored on the digital platform is safer than money stored in a lockbox.
- The DSG model saved up to 30 minutes to one hour, every other week.
Digital Savings Platform: The Value Proposition

- Safety of member & group funds: Operating savings groups over mobile payments eliminates cash, and therefore eliminates the present risk of cash held in lockboxes
- Real time, unlimited saving & ease of withdrawals
- Automated share-out calculations & accurate interest based on time value of money
- Paperless, automated records via sms including generation of share-out reports
- Time savings during meetings & share-outs
- The ability to capture data that would generate a credit score leading to loans
- Reduction of costs to train savings groups from implementer perspective.
- Empowerment of groups and enabling members to choose when to meet based on needs, rather than as required by cash based procedures.
Results

- 176 members in 11 groups tested & validated the DSG product
- Safety of funds, confidence & trust in the digital platform
- Time saved through reduced meeting frequency, elimination of cash counting, records & share-out calculation
- Credit records on platform, repayment reminders by SMS
- Longevity of savings - member bank accounts soon

“I trust the [DSG] a lot, since it has proven to be safer than the [CSG]. Once you buy shares in the [DSG], your money stays there, and no one has access to it.”
Digital Savings Platform: Where We Are

- Finalize go-to-market plan & business case
- Research
- Test CICO with Selcom agents
- Pilot the scaling/training system with 348 groups/5,220 members (trainer App & network, commission)
- Refine product based on member feedback
- Virtual bank accounts for DSG members
Plans

1. Scale up: 2019-2022 targeting 48,000 groups
2. Cost to train <$5 per member
3. User fees starting at around $5 per member, per year
4. Full cost recovery (including training expense) possible within five years
Thank You

Q&A