

DIGITAL SAVINGS GROUPS, AN INTRODUCTION

DSGs seem promising. What are the implications for OVC programming?

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Digital financial services have a potentially large role to play in improving the financial well-being of our beneficiaries. Cash-based savings groups have been shown to be effective tools to increase saving, but they have limitations. The application of digital technology-- already widespread in many PEPFAR countries-- can overcome these limits and add other valuable program aspects. Early experience with digital applications shows greatly reduced implementation costs, improved security of the group's funds, increased liquidity for members, higher individual savings, and sustainability through private sector partnerships. This document is a starting point for a program design that goes beyond the traditional savings group model and helps beneficiaries move into the mainstream financial services market to improve their financial well-being and economic stability.

Saving and Health Outcomes

In PEPFAR our key metrics are prevention and adherence to care. It is our strategy that improved and improving household economic stability will increase the ability to pay for care and life's other necessities, provide a measure of financial security, engender stronger feelings of hope for a better future, and provide resources to shape that future.

Saving is a future oriented activity. Beyond economic strengthening, saving activities foster hope and a desire to attain the goals which encourage a person to make the necessary investment of effort needed to improve his/her life.

A savings group (SG) is a tool which can help people living with HIV (PLHIV) and their caregivers address some of their financial management needs, but SGs themselves are not the goal. Fully integrated into health care programming, SGs can contribute to improved health outcomes.



Savings group meetings foster social networks and inclusion which reinforce the members' sense of agency. The meetings are an essential piece of the program.

How Digital Savings Groups Work

Digital Savings Groups (DSG) operate just as cash-based groups do. The only difference is that there is no cash involved.

The groups meet at least twice a month. The DSG is not a virtual group. Members meet face to face. The members elect officers, set their rules, hear loan applications, and vote exactly as cash-based groups do. DSGs are the same size as cash-based groups, and they operate in cycles with distributions, social funds, and the rest.

All of the money is held in the mobile wallets-- the SMS-based accounts offered by M-pesa, EcoCash, BankSouSou, eMoneyPool, Ma Tontine, and 140 others. Over 100 million people in Africa use mobile wallets, and with a group saving option one person with one SIM card can have both an individual and a group account, and all group members have access to their group account.

The group mobile account is a resource which performs the accounting and record keeping of the savings group program and can ensure group voting is valid. This platform is operated by either the implementing partner or via group accounts in a provider's regular product offering. Either way, all transactions and all money remain within the normal operations of the mobile wallet company and in the country. The group savings and lending are treated as routine transactions by the mobile wallet provider and require no additional investment on their part.

A good platform allows group transactions only when a given minimum number of members approve the transactions individually on their phones at the same time. It is a form of electronic voting which ensures that all transactions are agreed by and transparent to the group. Each member can see the balance and activity of the group's savings account at any time.

A complete platform also shows details of a loan to the borrower to help the borrower plan ahead. The date and amount of the next payment, outstanding balance owed, and so on are accessed via a simple one-click menu. This information is specific to the member and usually not accessible to the whole group.

A well designed platform will support group operations

A well designed platform will incorporate most of the operational elements of a savings group and its meetings. Typically, a good platform will assist a group these ways:

- When the group is formed, each member joins the new digital group by sending an SMS message to the provider. The program trainer who helps form the group gives them a

unique code to establish their own private group. From now on, each member's phone number will be recognized automatically as part of this group.

- At the first meeting, the group elects its officers. People are nominated, and the group discusses it just as in cash-based groups. The vote is done just as the cash-based groups do it, a secret ballot.
- Meetings are held according to a schedule agreed by the group. To open a meeting, an officer sends a notification via SMS to the whole group. The system then automatically sends another SMS about the meeting to, say, five randomly selected members. If three answer, then the group has a quorum and the meeting proceeds. If there are not three replies, the platform will not accept votes or group decisions nor allow any transfers of funds.
- At the meeting, the group receives a loan report via the platform. They share the information about loan payments with the group, and there is appropriate discussion among the group about the repayments and any delinquencies. At this time borrowers can make payments via their mobile wallet, but it is important to remember that a borrower can make a loan repayment at any time, not only at a meeting.
- The group will then hear new applications and question the applicant just as it is done in meetings of cash-based groups.
- The vote for loan approval is done openly just as it is by cash-based groups. This ensures transparency. With a vote of approval, the platform will request confirmation of the vote from the group asking for agreement. This is a security measure and it serves to emphasize the importance of attending the group meetings. Only after agreement vote, can the transfer be made by the chairman. All members then receive notification of the transaction. This open voting method supported by active confirmation of a vote by randomly chosen members is how a good platform helps secure decisions that affect the whole group.
- Paying in to the group account can be done by via mobile wallet at any time. This is done exactly as it is with any transaction with the mobile wallet provider. The group savings account has a 'business' or 'merchant' number assigned by the provider as if it were an ordinary client of the provider. The member will receive the usual confirmation of the transaction plus a message from the group account confirming receipt.
- At the meeting, each member receives a report of the activity of the group account, and the treasurer reads through it aloud. Members listen attentively to this financial report of their fund. They discuss it as would the members of a cash-based group.
- Paying in to the social fund (if the group chooses to have one) is typically done only at the meeting to reinforce the social cohesion and purpose of the group. The transaction is done just as any transaction is done via mobile wallet, and the treasurer confirms receipt by accessing the social fund account statement immediately and reports to the group.
- To add new members, a DSG follows the same open discussion and voting as a cash based group. The only difference is that the elected secretary adds the new member's phone number to the group account. As with all decisions that affect the whole group,

this decision follows the voting and confirmation process agreed by the group in its bylaws.

Pros and Cons of Digital Savings Groups

PROS

- Because there is no cash there is no counting. This means there no opportunity for theft and that group meetings are much shorter making is a lower demand on members' time.
- DSG programs are much less expensive to implement. Because there is a greatly reduced need to train members on cash handling and record keeping, DSG programs should cost about 1/4 as much per member as forming cash-based savings groups. This low cost per member means a project should be able to reach many more beneficiaries or add services such as micro-insurance.
- Private sector companies want to work with IPs to support this program. Their incentive is large: every member of a DSG is a new customer for the provider. This incentive structure, at no cost to the to the project, creates sustainability for the process of group formation. It is already a common thing for telecoms to provide SIM cards to USAID projects at no cost. What is new here is that the project can recruit mobile money agents as trainers with a built-in incentive structure to form groups.
- With DSGs, members have individual savings accounts. This is important because the fixed cycles of savings groups mean that members cannot withdraw money quickly to meet unexpected expenses. People must wait their turn to borrow. With little money on hand for emergencies, research shows that many households forgo immediate urgent expenditures such as medical care and often underinvest in livelihood improvements as well. The individual accounts allow people to build their own savings which they can withdraw or spend at any time.

CONS

- If a project uses mobile money agents, remember that they are not program advocates. They are mostly interested in their income from commissions as agents of the mobile money provider. To address this, it is critical that the IP select trainers from the available agents and train them very well. Typically, this is done through a master trainer program in which the TOT focuses strongly on the health and development outcomes to ensure commitment by the agents along with direct payments to master trainers as project staff or consultants as well as close supervision by full time program managers.
- There is a possibility of reduced group cohesion in a digital savings group because a DSG places a higher emphasis on individual action by encouraging additional independent saving, enabling individual responsibility by having loan repayments outside the meetings, and actively moving each member toward mainstream financial services from the beginning. It is important that the group trainer performs a facilitating function by being very attentive to this aspect and by using a platform that requires in person

attendance at meetings. Projects should also build in a pathway for a beneficiary's successful growth out of the group and into the mainstream financial services market.

- There is a price to pay for the safety and convenience of digital banking. As with all consumers, members of digital savings groups will pay a fee to an agent for cash-out, and each member must have his/her own SIM card. Usually, each member has a mobile phone, but this is actually not required. In some very poor areas where people cannot afford even the least expensive phone, they carry the SIM card and place it into the phone of a friend or the merchant; it functions in this case as a debit card that a user puts into a device at a shop. In the mobile banking environment your phone is the device, but you can always borrow one for a moment to complete a transaction. Agents in many countries often have an extra phone for customers to use to make a transaction.
- Some projects charge each member a user fee to be in a DSG. This is never a large amount but it is charged each cycle to ensure the members do not believe the service is a gift from USAID and to inculcate a sense of value received. In development work we always balance support with fostering self-reliance. In this context, one benefit of savings groups, digital or otherwise, is that the members are building their capacity to provide for themselves and the people they care for. Rather than allow dependence to develop, we need to help beneficiaries move forward to the time when we will be not there to support them. The messaging of this small fee is important in this effort.

Conclusion

Improved health outcomes are our goal, and it is important to see how household economic strengthening activities contribute to them.

Savings groups in particular contribute in a number of ways. In addition to improved financial management, increased saving, and lower cost borrowing, membership in a savings group provides a social network for PLHIV, fosters a vision of a better future, and enables the members to move from stigma and exclusion to greater participation in society and access the mainstream economy.

Digital savings groups can be a valuable program tool in helping beneficiaries achieve these. They have certain advantages over cash-based groups.

People need financial services for many reasons-- to save in a secure manner, to invest in their home or business, to meet larger expenditures, to insure against risk, to transfer money, and more. Poor people save for the same reasons and so need similar access to a range of financial services not provided by traditional savings groups.

DSG programs can reach large numbers at low cost, and they must be considered in your program design and in the operation of existing projects.

ABOUT THE AUTHOR

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Related Resources:

AKF Digital Savings Groups

<http://www.akdn.org/our-agencies/aga-khan-foundation/rural-development/access-financial-services/akf-digital-saving-groups>

The Potential of Using Digital Financial Services for Savings Groups in Bangladesh

<https://microlinks.org/library/potential-using-digital-financial-services-savings-groups-bangladesh>

The Evidence-Based Story of Savings Groups: A Synthesis of Seven Randomized Control Trials

<http://www.seepnetwork.org/the-evidence-based-story-of-savings-groups--a-synthesis-of-seven-randomized-control-trials-resources-1206.php>

Savings Groups in Latin America and the Caribbean

<http://www.pro-savings.org/en/spotlight-savings-groups-latin-america-and-caribbean>

Community-Based Microfinance for Orphans and Vulnerable Children: Literature Review

<https://microlinks.org/library/community-based-microfinance-orphans-and-vulnerable-children-literature-review>