

FSD Updates

NO MORE TEARS

FSD's Savings Groups (SG) project

Savings Groups (SGs) are a simple financial intermediation model where members of a group contribute an agreed minimum amount of savings during regular meetings. In some groups, members save more than the agreed minimum. The funds are then lent out to members based on demand. This goes on for a period of 9-12 months when lending stops and outstanding loans are repaid in readiness for share out when all the savings are paid back and interest earned distributed to members. Groups that do this are commonly known as Terminating Accumulating Savings and Credit Associations (TASCAs). The groups then restart afresh in a new cycle. Groups that do not share out after each cycle are referred to as Accumulating Savings and Credit Associations (ASCAs). These groups however share out the income generated over the cycle but retain the savings. In broad terms, the primary target markets for savings groups (SGs) in Kenya are financially excluded (approximately a third of the adult population based on FinAccess 2009 data) and those who only use the very basic Rotating Savings and Credit Associations (ROSCA) methodology - popularly known as merry go rounds - (roughly a quarter of the adult population). There is also evidence to suggest that among those using formal services, some will only do so rarely due to high overall transaction costs, and may regard the SG as a useful complementary service.

The savings group sector spends an amazing amount of time recording, collecting, verifying, consolidating, reporting and analysing data. It starts at the group level with passbooks or ledgers, and while groups learn to record savings quickly, tracking loans and calculating share-outs are much more difficult. In fact, these transactions are often beyond the capacity of groups and lead to indefinite visits from trainers.

In addition to training the groups, the trainers or their supervisors make periodic visits to collect data from the groups' records. In many cases, outside auditors or evaluators visit samples of groups to test the agreement between the reported data and the field observations. The data from the field are entered into a database, and often sent off to the Savix site, where the accuracy and representativeness of the data are sometimes questioned. This long process is so expensive, error-prone, and time-consuming that it has been called the trail of tears.

FSD Kenya with a software development firm Software Group are in the process of developing a mobile app - provisionally called e-Recording - that hopefully will enable groups to leave the trail of tears for good. The app, which runs on Android phones, initially leads a group through a set-up process, during which the group records the names and group numbers of all members, names the officials, and specifies who is authorized to enter data into the app. It also guides the group in writing those parts of the constitution that have to do with financial transactions - things like the interest rates on loans, how much each member can borrow in relation to her savings, loan periods, penalties, and similar details for the savings and social funds.



The old way and the new way of recording SG data at Okonya Savings Group in Kisumu County, Nyanza.

Once the group records are set up, the group record keeper uses the app to record attendance, fines, and every other financial transaction. The app is flexible enough to allow for the various ways that groups treat early withdrawal of savings, fines, different uses of the social fund, and transfers into and from an external bank account.



Something new is grabbing people's attention. Members of Okonya Savings Group in Kisumu County, Nyanza look on as one of their members interacts with the e-Recording mobile application.

The group decides which members are authorized to enter information, and each selects their separate password and PIN. The app records every transaction and keeps a permanent record not only in the phone but also in a remote cloud based data base, so that if the phone is ever lost, the records are secure. Even members who are not authorized by the group to enter information can check their balances by Internet using a smart phone or a cyber café, or by sending an SMS and waiting an instant for a reply.

If the group chooses, it can specify their facilitating agency – whether a local NGO, or CARE, CRS, AKF or others. The identified agency, but no one else, will have read-only access to the consolidated group records (not individual member records). Each transaction is tracked, with the date and time on which it occurred, and therefore it will be possible to do many sorts of data analysis that simply cannot be done in other systems. For instance, one could compare the savings, borrowing, loan repayment, and attendance behaviour of men as contrasted with women. Or one can produce a savings and credit history of

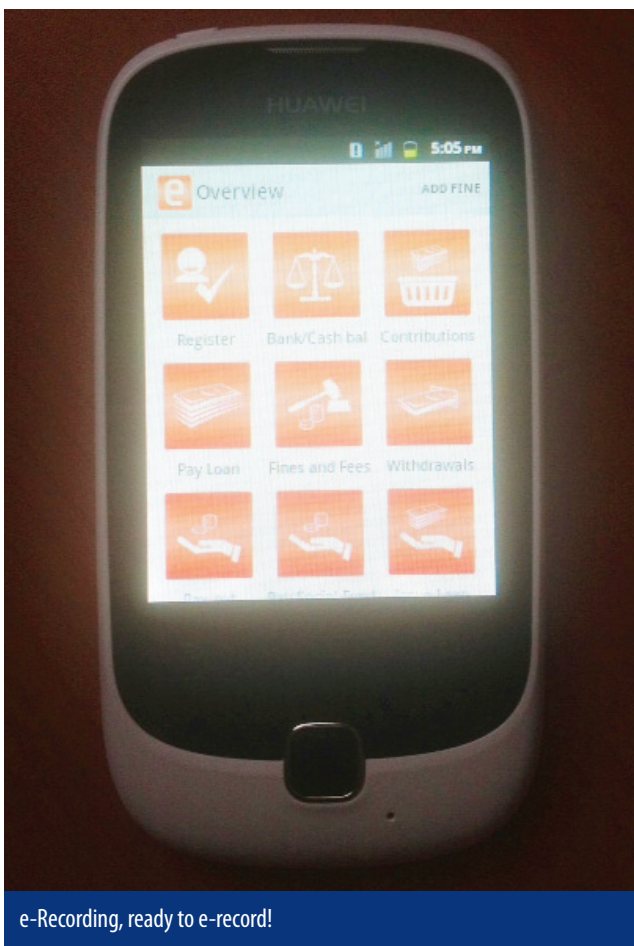
individual members, which financial institutions might take into consideration in loan analysis.

At the end of a savings cycle, the app computes the share-out using proportional distribution in just a few seconds, a process that can take a full day or more when done by hand.

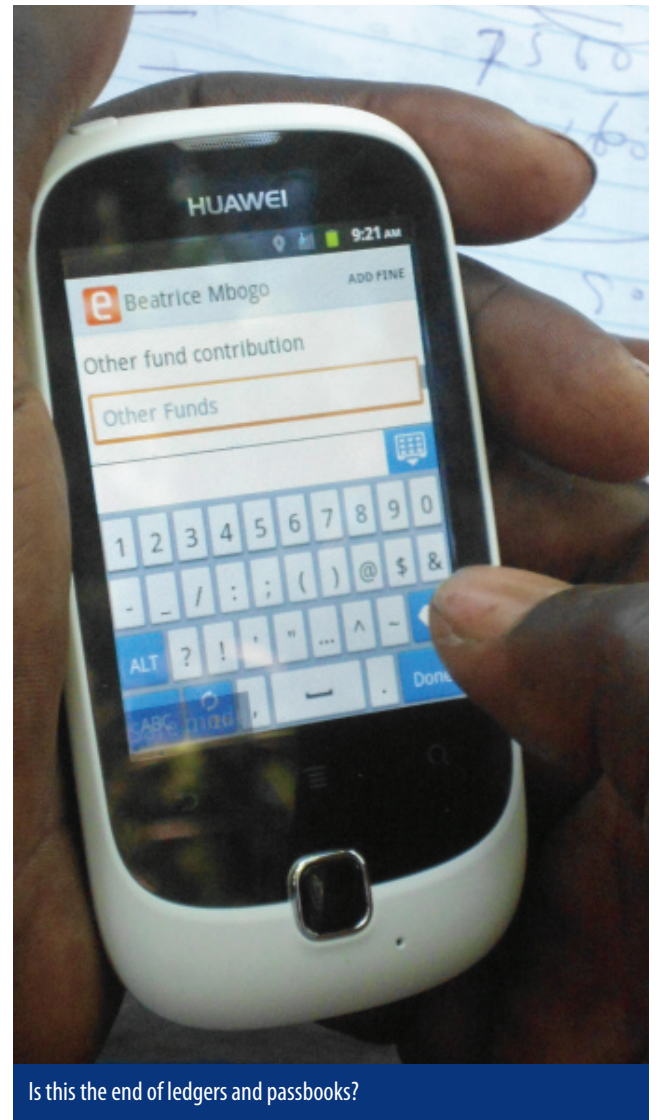
e-Recording is in beta testing now in six savings groups in Western Kenya, three CRS SILC groups in Eldoret, and three CARE GSLs in Nyanza. The groups are using Huawei smartphones that cost KShs 8,500 (about USD100). The groups that are piloting the phones are enthusiastic. They love going digital and are now looking with some disdain at the old analogue way of keeping records. Members state that they appreciate the speed and accuracy of the app, which sometimes catches errors that the group might otherwise not see. For example, if the group has decided that members can only borrow three times their savings, the app instantly points it out if the secretary tries to enter a non-conforming loan.

FSD Kenya, CARE and CRS plan to continue to test the app. Based on the reaction of the groups that are piloting it, FSD Kenya and Software Group have already made many tweaks and improvements. FSD Kenya anticipates that the app will be out of testing, and ready to release to the public domain, in 2014; in the meantime, a beta version has been posted on the Google Play site for testing. Watch this site for more news.

And, this is just version 1.0 of e-Recording. Assuming that the tests continue to go well, the app can eventually be enriched. An obvious addition would be to enable members to save with a bank through the app; one can imagine e-Recording asking each member at share-out how much she would like to transfer into long-term savings. Members of the test groups have said they would like to have phones that speak the amounts of transactions (“Mary, member number 12, saved 1200 shillings”). Others would like to have the app show a photo of each saver and borrower as a cross check, and still others would like a place to record the group’s minutes. Future versions will likely include a help function, and even a phone number for contacting a specialist to help them. Finally, future versions might include a social networking function through which groups can communicate with other groups, post and share success stories, and conduct business. Why not?



e-Recording, ready to e-record!



Is this the end of ledgers and passbooks?

e-Recording, or perhaps other apps like it, can change the nature of how savings groups operate, and may have an equally great impact on the time requirements and cost of forming groups; much of the time that is spent dealing with the “trail of tears” of data recording and collection can be eliminated. If managed well, this should reduce training time, and lead to lower Cost Per Member. Future versions of the app may even include pre-recorded training films in local languages, so that a group of people who wanted to form a savings group could pop into their local shop and buy a smart phone pre-loaded with the e-Recording app and training materials — everything they need to form a group in a hundred-dollar package. No one can say for certain all the changes that the app will bring, but the sky’s the limit.

Compiled by Paul Rippey (<http://savings-revolution.org>) and Kuria Wanjau, Project Manager, Savings Groups, FSD Kenya.

The findings, interpretations and conclusions are those of the authors and do not necessarily represent those of FSD Kenya, its Trustees and partner development agencies.

The Kenya Financial Sector Deepening (FSD) programme was established in early 2005 to support the development of financial markets in Kenya as a means to stimulate wealth creation and reduce poverty. Working in partnership with the financial services industry, the programme's goal is to expand access to financial services among lower income households and smaller enterprises. It operates as an independent trust under the supervision of professional trustees, KPMG Kenya, with policy guidance from a Programme Investment Committee (PIC). In addition to the Government of Kenya, funders include the UK's Department for International Development (DFID), the World Bank, the Swedish International Development Agency (SIDA), Agence Française de Développement (AFD) and the Bill and Melinda Gates Foundation.



info@fsdkenya.org • www.fsdkenya.org

FSD Kenya is an independent Trust established to support the development of inclusive financial markets in Kenya
5th floor, KMA Centre • Junction of Chyulu Road and Mara Road, Upper Hill • PO Box 11353, 00100 Nairobi, Kenya
T +254 (20) 2923000 • C +254 (724) 319706, (735) 319706