**Draft Concept Note: Digitizing Savings Groups in Nigeria**

**Sep 2, 2022**

# PROJECT OVERVIEW

Recipients of unrestricted cash transfer programs typically prefer receiving physical cash rather than digital disbursements into an account. Focus group sessions with recipients of humanitarian and government social protection cash programming in Nigeria uncovered a variety of reasons for their preference of cash, including unfamiliarity with digital delivery mechanisms, low levels of trust in formal financial institutions, and finally limited number of use cases (e.g. school fee payment, savings group wallet, payment of farm inputs ) beyond cashing out an funds received digitally.[[1]](#footnote-0) In order for unrestricted cash programming to have a positive impact on increasing access to financial services for program participants, more value proposition must be derived from the digital funds than currently exists, as currently cash is simply the more fitting option.

By digitising savings groups, of which at least 60% of membership will be women,This project seeks to deliver more familiarity, trust, and value propositions around formal financial service account ownership through savings group digitization and formal financial service provider linkages. The same focus group discussions found a wide variety for cash program participants who were also members of savings groups and were actively saving and accessing informal credit through this channel. Digitizing savings groups can help deliver additional value to savings groups members, while also introducing them to digital tools and services. Digitization can also pave the way to linkages to formal financial institutions where groups have access to interest bearing savings accounts and larger lines of credit over time. Digitizing savings groups whose members also are recipients of cash programming (regardless of whether this is unrestricted cash or vouchers) has the potential to improve their familiarity, trust, and use for receiving payments digitally. Evidence shows that linking savings groups to formal financial institutions brings a variety of benefits 1) Improved safety of funds for larger groups, 2) Increase in financial performance, particularly for groups that are able to access larger credit facilities to on-lend within groups[[2]](#footnote-1) and 3) Having access to formal savings accounts allow groups to save for longer than one cycle (groups typically need to start from zero after each cycle)[[3]](#footnote-2).

In order to establish this linkage, financial service providers seek to understand savings group dynamics more. This can be difficult to do when the group savings and credit facilities are entirely analog and kept on paper ledgers. Digitizing the savings groups can help accelerate the path towards linkages with more formal financial services, while also bringing additional benefits such as 1) reduced time spent on financial transactions 2) improved group discipline on hitting savings goals through SMS reminders and behavioral nudges 3) reduction in conflicts amongst group members[[4]](#footnote-3).

# PROJECT DESCRIPTION AND OBJECTIVES

Action Against Hunger and EFINA have formed a collaboration to put this concept note into action. Action Against Hunger is in the unique position of supporting both savings groups and providing cash and voucher assistance. In addition to an extensive network of financial service providers in Nigeria, EFINA has technical expertise in the implementation of digital financial services.**c**

Alongside with the two implementing partners, there will be an onboarding of a digital savings group service provider to launch a digital savings group platform in selected geographies (this will be determined after the final data collection phase is complete). Regions where there is overlap between humanitarian cash programing and saving group activities will be prioritized. In the context of this project, digitizing savings groups means 1) digitizing the group bookkeeping/ledger 2) testing the potential of a digital wallet solution for the group, and 3) seeking ways to link savings groups to formal financial services.

By digitising savings groups whose members also participate in cash programmes (in this context, we are attempting to increase familiarity and trust in digital financial services among beneficiaries of any type of cash programme), the small pilot will test a number of preliminary questions.

1. Can digitizing savings groups help expand cash program recipient access to formal financial services through linkages to financial service providers?
2. Can digitizing savings groups help pave the way for digitizing cash transfer payments by creating more familiarity/trust in digital services amongst cash program recipients?
3. Can digitizing savings groups help pave the way for digitizing cash transfer payments by expanding digital literacy amongst cash program recipients?
4. What are the impacts of digitization on financial service provider interest in serving savings groups and their members?
5. Can digital savings group platforms (e.g. digital ledgers, wallets) build commercially viable models in Nigeria?

While the primary objectives of this pilot will be to test the questions above, there are longer-term outcomes the digitization of savings groups hopes to achieve. Savings groups in Nigeria can benefit from digital transformation in a variety of ways, including improved governance and access to a broader range of formal financial services. Members of a group can benefit from digitization in the following ways.

1. Improved capacity to cope with shocks through interest bearing savings products and relevant low interest credit services
2. Digital Capabilities: By participating in a digitized savings group, members will have opportunities to build their own digital capabilities and confidence/comfort levels (which is particularly important for women) with digital services. Digital literacy is often cited as a major barrier to increased access and usage of digital financial services. Group dynamics: Digital savings groups have greater transparency for members, with greater access to information through the smartphone app in addition to group member phones (including basic phones). Improving transparency has the potential to lead to further trust and buy in.

1. Time savings: Digital savings groups can automate contribution calculations, revolving loan schedule, loan repayments, and other activities that groups spend more time on. This automation can leave more time for group members to focus on other issues and tasks.
2. Building a digital footprint: By moving group transactions from a paper ledger to digital ledger, groups have the ability to establish more visibility (should they want it) to formal financial institutions. This has the potential to create stronger linkages between groups and financial service providers that may be able to offer them increased interest earnings on their savings in addition to larger credit facilities.
3. Improved communication: Digital savings platforms offer direct lines of communication between INGOs, Financial Service Providers, and savings groups through the digital savings platform. Improving the efficiency of communication channels can potentially help solve problems more quickly and provide groups with the ability to deliver feedback.

A majority of savings groups members are women, so this project will take a gender intentional approach to our outreach and engagement, ensuring women make up at least 60% of the program participants.

# PROJECT ACTIVITIES

## Phase 1: Data Alignment

In this phase Action Against Hunger and EFINAwill ensure data on savings groups they manage is well aligned. This will mean aggregating savings group data into a central place, with standardized columns. No personally identifiable information will be exchanged or used during this process. Part of this process has already begun, through pre-concept note implementation, but a consolidated effort by Action Against Hunger and EFINA is necessary to bring the information together.

This is important for several reasons:

1. It will provide the digital savings group platform with sufficient information to provide stronger proposals
2. It will help quantify the amount of savings groups, members, savings, and credit that is represented with Action Against Hunger. This will be important to determine where to pilot. It will also be helpful in discussions with financial institutions (e.g. network coverage)
3. The database can also serve as a baseline for some important data points for monitoring and evaluation of the project.

## Phase 2: Procurement of a digital savings group platform

The digital savings group platform is the most important project partner, as they will provide the technology and know-how to digitize selected savings groups. There are limited options for digital savings group products currently in Nigeria, but several platforms have been engaged and have shown interest in a partnership to enter the market. The RFP process will also allow for any currently unknown digital savings group services to submit a proposal.

Action Against Hunger and EFINA will build an RFP together and agree on a specific statement of requirements that will enable a proposal process to react to one RFP that addresses the needs of all Action Against Hunger in addition to the savings groups they work with. The proposals received will be reviewed by both EFINA and Action Against Hunger, following an agreed upon scoring criteria.

Action Against Hunger will decide on a vendor and enter into an independent agreement.

As part of this RFP process, Action Against Hunger and EFINA will need to come up with specific functionality requirements that will ensure ease of use for savings groups. A few examples of these functionality requirements are summarized below:

1. Data Protection: Ensuring savings groups have control over how their data will be used is essential. As part of the RFP process for the digital savings group platform, it will be key to assess how data is stored, protected, and where the consent of savings group members is required and captured. Ensuring providers can align with the Nigerian Data Protection legislation passed in 2019 will be part of the scoring criteria.
2. Customer Onboarding: What does the onboarding process look like and are there elements of KYC conducted (see data privacy as well here). Can onboarding be done digitally (e-KYC) or face to face?
3. Off-line capabilities: Can data be collected by groups in areas without network coverage?
4. Data burden: How much bandwidth does the app require, and what will be the amount of data required to use the app on average?
5. Feedback/Grievance Systems: How does the platform provider support group members when they run into issues with the service?
6. Digital literacy and onboarding: How do the platform provider build digital literacy amongst group members. How does the provide help educate members to avoid any potential fraud?
7. Messaging and Communication: How does the platform improve the ability of the group to communicate, air grievances, and provide feedback with key stakeholders?
8. Hardware Considerations: What kind of hardware (i.e. smartphone) is required for members of the groups to interact with the product?
9. Local Context: If the platform has not yet launched in Nigeria how will it adapt to local habits and needs of savings groups.

## Phase 3: Primary Data Collection (Baseline) and Pilot Location/Group Selection

1. After Action Against Hunger and the platform provider partner collect feedback from financial institutions, EFINA and the platform provider will review existing data. Before deciding on the scope and location of the pilot, EFINA will identify information gaps using suggestions from financial service providers and the platform provider. Action Against Hunger and EFINA will create questionnaires for the platform provider's group meetings. Action Against Hunger personnel can collect data, while EFINA and the platform analyse it. Additional information would be used to choose pilot locations and groups. Smartphone and mobile phone penetration will most likely be critical data points. Each group must have at least one smartphone to use the digital savings group platform. During this phase, pilot locations and groups will be chosen. The characteristics of a savings group that may be ready for digitization are listed below. Groups with charismatic leadership tend to be more successful
2. Groups should have some younger members that will likely be more willing to use the smartphone
3. Groups should have one or two members with reasonable digital financial literacy
4. Groups should be in areas with mobile network connectivity (minimum of 3G)
5. Group members should have access to ID, if possible, as that will be a requirement for formal financial account linkages

The data collected during this phase will provide the information needed to make informed decisions on who and where the pilot should be implemented. The data collected during this phase will also identify how digitization can help improve group and individual member goals and improve their experience with the savings group.

## Phase 4: Financial Service Provider Engagement

Once the digital savings group platform is contracted, conversations should be had with financial services providers (EFINA, Action Against Hunger, and the platform provider should be involved in these discussions). These discussions are meant to gauge the interest of financial service providers (FSP) in delivering services to savings groups, and to establish early interest in partnerships between the digital savings group platform and FSPs. These discussions do not necessarily need to end in partnership agreements but should help establish relationships with financial institutions that could play a role long term in financial service delivery to digitized savings groups. As part of these discussions, Action Against Hunger will share current information on the management of savings groups. It will be important to understand what type of information or data would be interesting for financial institutions and help them to make more informed decisions about partnerships in the future. Any data sharing that occurs will need to have consent factored in.

## Phase 5: Pilot Planning

***Field Force Development***

**Action Against Hunger** and the platform provider will collaborate on the timeline and key roles and responsibilities of the pilot implementation. As part of the pilot planning, the platform provider will work closely with Action Against Hunger to determine who will ultimately do customer onboarding and acquisition. There are several options that will be explored, all with a focus on sustainability. Part of the pilot will seek to identify how the digital platform provider can eventually function independently of Action Against Hunger local presence and support. Action Against Hunger and platform partner will need to identify key staff for training and consider existing networks of field force that Action Against Hunger may already have in place (i.e. lead farmers, community health workers).

As part of this stage of the pilot planning, training of trainers (ToT) will need to be conducted by the platform provider and whoever will be doing customer acquisition and onboarding for the pilot (with Action Against Hunger member staff and them in onboarding and customer support). The ToT will involve the platform provider building an intricate understanding of how savings group leadership will interact with the smartphone app. The platform partner will need to accompany Action Against Hunger staff members into the field for the first round of customer onboarding.

***Group Acquisition activities***

Leading up to the pilot, Action Against Hunger and the platform partner will conduct outreach and sensitization to targeted groups. These groups will be identified via the data collection process which occurred in earlier phases, and groups will be identified and sensitized. After sensitization, groups will be able to opt in to be part of the pilot. Details on the types of savings groups that will be targeted was provided above in Phase 4.

Group onboarding and acquisition will need to involve educational elements of not only how to navigate and use the product, but other elements of digital literacy such as how to reduce data bundle usage and costs on a smartphone. The onboarding sessions will also need to educate members on potential fraud and provide solutions for ways to mitigate the risk of fraud. The sessions should be a combined effort between the digital savings platform provider (The RFP will ask about their onboarding methods) and Action Against Hunger staff who are already working to strengthen the groups through capacity building.

***Smartphone/Tablet procurement***

Smartphones are required to launch the digital savings platform. Action Against Hunger has elected to completely subsidize the smartphone, and partially subsidize the data bundle, with gradual reduction of the data bundle subsidy over the pilot period.

***Digital Financial Literacy***

The deployment of digital financial literacy will be important during the group onboarding process. USAID has developed an open source digital financial literacy curriculum targeting women called Hey Sister! Show me the Mobile Money. This is an audio curriculum that can be downloaded onto Smartphones issued with the groups. Action Against Hunger field staff will be trained on the facilitation of specific lessons most relevant to group members and will then work with group leadership to deliver in person training during onboarding. The digital savings platform will also be asked to train any additional field staff they provide on the facilitation of this curriculum to continue its dissemination. The content can also be translated to local Nigerian languages to ensure relevant messages reach end users.

## Phase 6: Pilot Implementation

***Onboarding and Troubleshooting***

***Action Against Hunger*** and digital savings platform partner will roll out the pilot by training and onboarding groups. This will be aligned with normal group meetings and will include a troubleshooting plan to enable immediate feedback and grievance resolution. Throughout the pilot, groups will be monitored closely, and face to face check-ins will occur on a monthly basis in line with group meetings in addition to the provision of a live dashboard by the platform provider.

***Financial Service Provider Partnerships***

After the third month of the pilot, Action Against Hunger and EFINA will work with the digital savings platform to analyze savings and credit patterns of the groups. This data will be used to continue the engagements with the prospective financial service provider partners. EFINA will use this opportunity to identify where potential linkages with formal financial institutions can occur. At this point, the goal will be for financial service provider partnerships to begin forming with the digital savings group platform.

***Field Force Ownership Transfer***

During the first six months of the pilot, Action Against Hunger will also work with the digital savings platform partner to consider ways to move NGO staff off the end user facing engagements and transfer them over to a field force that is either owned directly by the digital savings platform partner or a partner financial service provider. In the initial pilot stage, the digital savings platform provider will rely on Action Against Hunger’ existing staff infrastructure to onboard, train, and provide support to the savings groups/

***Revenue Model Assessment***

The digital savings platform partner will provide data on current and projected revenue potential for their operations in Nigeria. This will be an important part of the pilot’s ongoing reporting, to help analyze the likelihood of sustainability post project. The platform partner will provide analysis of pilot centric revenue in addition to where they see potential for growth and revenue projections accompany the growth.

## Phase 7: Endline Data Collection and Report Development

The final phase of this pilot process will be to conduct endline data collection to get direct feedback from the groups in addition to using data from the digital savings group platform dashboard. Using this data, Action Against Hunger and EFINAwill provide a final analysis on the key performance indicators and build a report providing details on the results in addition to key recommendations for potential pathways to scaling the solution in Nigeria. The report will highlight key challenges and questions that have been left unanswered, in addition to delivering advice on key points of leverage these digital savings products can be used to bring more savings group members onto digital financial service solutions. The analysis will also examine the comfort levels of group members in using digital services and determine whether there has been an increase in usage of digital financial services on an individual basis as a result of group digitization.

# PROJECT BUDGET

**Overall budget**

Key budget considerations

1. Staff time
2. Field travel
3. Communications
4. Platform licensing
5. Smartphones/Data bundles
6. Monitoring/Measurement data collection (part of staff time or third party?)

**We will also seek any potential cost share possibilities as well**

Annex for a more detailed budget breakdown.

# PROJECT IMPACT

The project will have a baseline and endline data collection process where key questions that reflect the research questions highlighted above will be asked of savings group members and other key stakeholders at the beginning and end of the project.

Below is a breakdown of the key performance indicators the project will be measuring to demonstrate impact on the savings group level, member level, INGO level, digital savings platform level, and financial service provider level.

***For Savings Groups and Members:***

% increase in reported use of additional digital financial services (i.e., mobile money)

% increase in willingness to receive cash transfer funds via digital channels.

% change in groups with digital records

% change in groups reporting improved communications and internal organization due to digital transformation

% change in time to carry out a meeting

% change on time committed to bookkeeping

% change in group member phone ownership

% change in credit issued to group

% change in savings

% change in groups linked to formal financial service providers

% change in savings group members that have a savings goal

% change in savings group members that know how they are progressing on their savings goal

% change in confidence levels using mobile phone technology

% change in reported internal group conflict

***For INGO staff:***

% change in knowledge of key data on the groups I support

% change in knowledge of what group members are saving for (e.g. household, livestock, land, etc.)

% change in knowledge of what members are using loans for (e.g. business, school, medical, etc.)

% change in reporting easy communications to all groups and survey them

***For the Digital Savings Platform:***

Revenue analysis that looks at current and projections

Cost analysis that looks at current and projections

***For the FSP partnerships:***

% increase in level of interest in engaging savings groups

% increase in direct linkages to savings groups

% increase in savings groups having active savings accounts with the FSP

% increase in savings groups accessing loans

1. **PROJECT PARTNERS**

Action Against Hunger

EFINA

Digital savings platform (to be procured)

Financial service provider partners

Savings groups

1. **POTENTIAL PROJECT RISKS AND RISK MITIGATION**

The digitalization of savings groups in other markets has come with a wide variety of lessons learned and risks. The below matrix provides an overview of key risks and potential mitigation measures.

| # | Risk | Mitigation |
| --- | --- | --- |
|  | Low cross over between cash assistance recipients and savings groups | Baseline data collection will also support the identification of savings groups whose members are also part of cash programming |
|  | Low interest of savings groups for digital platform uptake | Sensitization and marketing materials will be developed with the support of the selected digital savings platform provider |
|  | Digital platform procurement indecision | Establish clear selection criteria that will help guide the proposal review and scoring process. |
|  | Digital platform contracting delays | Ensure proper budget allocations for concept note for contracting and bringing in a digital savings platform |
|  | Low interest from financial service providers | Establish specific pieces of information financial service providers would be interested in seeing come out of the pilot (i.e. internal savings group credit repayment, data security, data provenance) |

1. FGDs with CVA and G2P recipients Borno, Yobe, FCT, and Kano States. [↑](#footnote-ref-0)
2. https://cega.berkeley.edu/wp-content/uploads/2020/03/Etcheverry\_PacDev2020.pdf [↑](#footnote-ref-1)
3. https://docs.gatesfoundation.org/documents/Focus%20Note%201%20Outcompeting%20the%20Lockbox%20-%20Linking%20Savings%20Groups%20to%20the%20Formal%20Financial%20Sector.pdf [↑](#footnote-ref-2)
4. https://globalcommunities.org/wp-content/uploads/2021/11/PCI\_Digitizing\_Savings\_Groups\_Report\_Tz\_Sept\_2020.pdf [↑](#footnote-ref-3)