DIGITIZING SAVINGS GROUPS

Experience from a project in Northeast Nigeria

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Summary

Through a partnership with an app provider and a local consultancy, Mercy Corps' Rural Resilience Activity enabled more than 1,600 savings groups in Northeast Nigeria to use the MiKashBoks app to digitise their record-keeping. This has made record-keeping simpler, more accurate and more transparent, and improved trust and social cohesion within groups, encouraging groups to save more.

However, groups faced a number of challenges in using the app, including phone ownership, poor network, and high data costs which caused some to stop using the app. This was exacerbated by the failure of most groups to access external credit, which was a key motivation for using the app.

The challenges in reaching scale and sustainability reflect challenges experienced by other deployments, and confirm the need to continue to develop innovate business models and partnerships that sustainably deliver value to groups. This will likely require continued subsidies, structured in ways that mitigate costs and risks faced by groups and providers in the short to medium term, while incentivising models that move towards commercial viability.

Introduction

Through the USAID-funded Feed the Future Rural Resilience Activity (RRA), Mercy Corps uses **financial inclusion** in Northeast Nigeria to help people facing poverty, including rural women, youth, and people on the move, to improve and protect their incomes and assets, and to manage risk. In doing so, RRA moves people out of chronic vulnerability and poverty through expanded economic opportunities and strengthened resilience capacities.

The four states in Northeast Nigeria are facing **recurring and acute shocks and stresses**, including rising food, fuel, and fertiliser prices, adverse weather conditions, and conflict and insecurity. Approximately 55% of adults in the region are unbanked and unable to access and use formal financial services. Financial Institutions (FIs) are deterred by the high risks, costs and complexities of serving a region heavily reliant on agriculture and struggling with impact of insecurity and climate change.

To address these challenges, RRA has applied a **Market Systems Development (MSD)** approach to provide catalytic grants[1] and technical assistance to financial sector partners to enable them to improve and expand the provision of financial services to previously excluded groups and households.

Recognising the importance of informal, community-led finance in such contexts, RRA provided support to **savings groups (SGs).** By enabling members to save frequently in small amounts and to access credit on

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[1] Grants to unlock additional investments, by demonstrating the feasibility and viability of interventions that can catalyse broader positive impacts. Grants often target innovative and high-risk initiatives that might face challenges in attracting traditional financing due to uncertainties or insufficient track records

flexible terms, SGs help members to meet more immediate short-term consumption, investment and emergency needs.

Digital technology in savings groups

The use of digital technology by SGs promises to address two of their most common challenges: the need to maintain accurate records of their transactions and balances; and the need to access savings and loans from FIs to provide them with a safe place to save and to meet the demand for credit that cannot be met by the internal funds of the groups. Groups are using:

- **Digital apps** to record transactions at meetings, instead of using paper-based ledgers. In addition to improving the record-keeping, the data can provide an indication of a group's credit worthiness to enable lending by FIs
- **Mobile money** to save securely in a group wallet instead of in the physical box, and to access saving and loans from FIs who are linked to the mobile money services.

RRA partnership with MiKashBoks and RinDev

To deploy this digital technology in SGs in NE Nigeria, **RRA partnered with MiKashBoks** with the objective of enabling 1,500 SGs to use the MiKashBoks app to digitise their record-keeping. Furthermore, an integration between MiKashBoks and MTN Mobile Money (MoMo) would enable 1,000 groups to save on a group wallet. Through additional partnerships with formal FIs, MiKashBoks would be able to pay interest on the savings balance, and facilitate links to banks and MFIs to enable access to loans. In doing so, MiKashBoks would earn income from the FIs in the form of interest on the accumulated balance and commission on loans disbursed.

Since MiKashBoks had no physical presence in Nigeria, they **partnered with RinDev**, a Nigerian consulting firm, who led the recruitment and management of ten agents from the local communities to be responsible for training and supporting groups to use the app. The agents trained three members from each group, including the owner of the smart phone to be used and the group secretary who was the current record-keeper. The agents assisted in the initial registration and activation of groups on the app and then provided follow-up support to ensure continued use. They attended meetings, answered questions on a group WhatsApp, and monitored usage through the dashboard. The hope was that groups would become independent users within three weeks.

During the course of the project, two contracts were signed between RRA and RinDev: the first in April 2023 was a pilot to register and activate 500 groups on the app; a second in December 2023 was designed to scale up deployment by registering and activating a further 1,000 groups on the app and linking 1,000 groups to MTN MoMo.

Case study objective and survey methodology

This case study was undertaken to determine how groups benefitted from using the app, and how their experience will incentivise and enable them to continue using the app. It also assesses how the partnership benefitted RRA, RinDev and MiKashBoks and how the project will lead to sustained and increased use of the app in Nigeria.

To gather information and data for the case study, the RRA team:

- Conducted focus group discussions with 16 groups across all four States in the Northeast. Purposeful sampling was used to get a mix of experiences across groups, for example some groups were still using the app, and some had stopped.
- Conducted key informant interviews with staff from RRA, MiKashBoks and RinDev, and with agents
- Analysed data on the MiKashBoks dashboard

Results

Registration and activation

In terms of registration and activation on the MiKashBoks app, by the end of 2024:

- 1,635 groups, with over 33,000 members, had been registered and activated on the app, against a target of 1,500 groups. As the chart shows, most registration and activation took place soon after the agreements were signed.
- Groups had recorded savings balances totalling N432 million ($281,000), social insurance balances of N45 million ($29,000), and outstanding loans of N27 million[2] ($18,000);
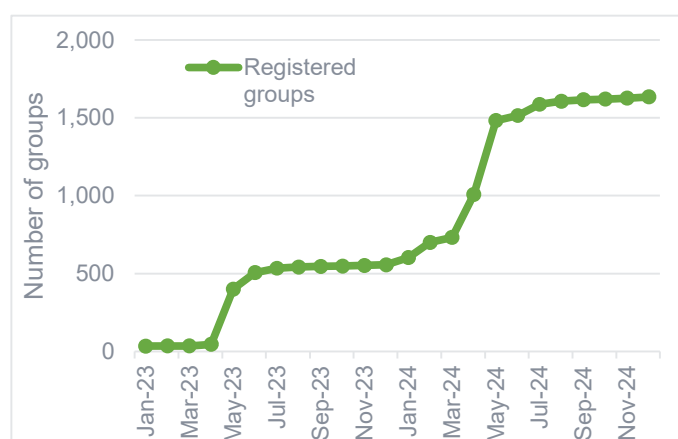
MTN MoMo Integration

In terms of the integration with MTN MoMo:

- 210 group mobile money wallets were created, against a target of 1,000, and approximately 3,000 wallets were opened for members and linked to these group wallets.
- No groups were able to start transacting through MTN MoMo because the project finished before agents could train them on how to use the service.

Access to credit

Due to the failure of groups to start using MTN MoMo, no groups were able to access credit from formal FIs. An MoU was signed with Crust Microfinance Bank to provide microloans to group members, but the project finished before any loans could be disbursed.

Due to these challenges, RinDev implemented their own initiative ('Yawan Girbi' which translates to 'Many Harvests') to provide access to fertiliser. Groups made a downpayment of 50% of the cost of the fertiliser to RinDev, who covered the remaining cost themselves or secured credit from the supplier. Groups repaid the full amount to RinDev after harvest, together with a fee. In total, 300 bags of fertiliser were provided, and the repayment rate was over 95%. Challenges included RinDev not having sufficient funds to meet the demand from groups, and the initiative coming after members had planted their crops.

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[2] The reported value of loans was very low throughout the project. This might be the actual level and reflect the reluctance of groups to take loans that may be haram under Islamic law (although there are ways to address this). However, it may also be because groups weren't recording loans, either because they were not sure how to, or because of the apparent perception among some groups that if RRA saw high levels of loan activity, then they would not receive the grants and loans that were expected from RRA

Group experience

Improved record-keeping

Nearly all groups reported that using the app has made their **record-keeping simpler, quicker, more transparent and has reduced errors**, enabling them to track their balances through the cycle and to perform the complex share-out calculation at cycle end. In addition to the app itself, most groups mentioned the importance of the SMS messages that each member received after the meeting which indicated their individual balances and their saving obligation for the next meeting.

Since members can now track their balances through the cycle with confidence, they are saving more which in turn has created more funds for lending. The **improved trust** among group members, and between members and the committee, has reduced arguments among members, and improved the level of cooperation within the group and increased meeting attendance. This seems to have particularly improved the experience of female members. Groups generally feel that their money is now safer than it was before.

The work of the record-keeper has become simpler and quicker, which has **reduced meeting times and reduced the reliance of groups on outside help**, especially at share-out. Groups appreciate the security of their records - if they lose the phone, they can download the records again - and some find that it reduces their costs by removing the need to buy a ledger book and stationary.

Support from the agents

The groups appreciated the training and support from the agents to enable them to start using the app and to continue to use it, particularly when they experienced issues or challenges. Agents also provided training on the savings group methodology which improved the functioning of the groups, and training to enable members to improve their businesses, for example training on business skills, financial management and marketing.

Challenges in using the app

However, despite the benefits that using the app has brought, and support from the agents, groups have experienced a number of challenges which have caused some to stop using it.

- **Phone ownership**: For those groups in which only one member had a smart phone, if they were absent or left the group, the group couldn't use the app. Those members who did not own basic phones were not able to receive the SMS with their balances. Some groups struggled to use the app since the required storage capacity of the app exceeded the capacity of their phones.
- **Network and data**: Groups also struggled with poor or no network in their meeting locations. The app should work offline, but groups repeatedly complained that they needed to be online to log in to start using the app. After a meeting, records could take a long time to upload, and consumed a lot of data which became expensive, and exhausted the social fund which some groups had allocated for data costs. The need to install updates also increased the cost of data.
- **Digital literacy**: Some groups indicated that they struggled to use the app, particularly at the start, due to their lack of experience of using Smart phones. While the training certainly helped, since only three members of each group were trained, if they were absent, or left the group, they group couldn't use the app.
- **Access to credit**: These challenges led most groups to continue to use their paper-based record-keeping in parallel with the app, and caused some groups to stop using the app altogether. This was exacerbated by the failure of most groups to access external credit, which was a key motivation for

using the app. Having used the app for a few months, and failed to access credit as they had expected to in order to support their farms and businesses, some groups became discouraged and stopped using the app.

Declining activity rate

Analysis of the activity rate[3] across all groups highlights this pattern of behaviour. The chart shows the high activity rate immediately after registration and activation. The activity rate then gradually falls in the following months – by the end of 2024, only 22% of groups are still using the app at least once a month.

This trend was reflected in the responses that groups gave when asked if they would continue to use the app. While some indicated that they would continue because they appreciated the improvements to their record-keeping, others indicated that this would be dependent upon the challenges they face in using the app being addressed (particularly phone ownership, network challenges and the cost of data) and in being able to access credit through the app.
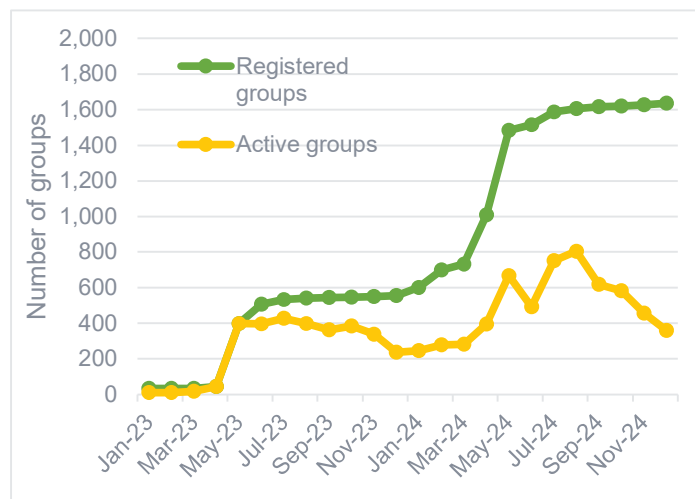
MiKashBoks' Experience

Partnership with RinDev

The partnership with RRA enabled MiKashBoks to launch the app in Nigeria and they successfully met the group registration and activation targets. This took much more effort than expected due to the challenges described above, and MiKashBoks therefore recognise the importance of their partnership with RinDev and the role of the agents. Ensuring that these agents were dedicated to this responsibility, rather than working through existing agents with competing priorities and targets, was key to the success of the model.

Challenges

However, MiKashBoks experienced a number of challenges and frustrations during the project.

- **Integration with MTN**: A key challenge was the integration with MTN, which took seven months compared with the initial estimate of three months. This was due to delays in signing the MoU, exchanging API data and the need to ensure regulatory compliance. Furthermore, as the level of phone ownership was lower than expected, the model was adapted to include groups in which not everyone had a phone, as well as those with 100% phone ownership. This required more development on the backend than expected. In addition, the process of registering members for MTN MoMo took more effort than expected due to the low level of usage and awareness of the service among groups.

- **Subscription fee**: Due to the delays, groups were not able to use MTN MoMo to conduct their transactions. This not only diminished the group experience, but also denied MiKashBoks a critical

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[3] The number of groups using the app each month

revenue stream which they required to become sustainable. The intention was also to introduce a subscription fee to the groups of N60 per member per month ($0.08) once they had started using it and were deriving value from it. When the time came, however, the decision was taken to levy the fee only on groups which had accessed loans and were using MTN MoMo. Since access to these services was low, revenue from subscription fees has been much lower than expected.

- **Naria devaluation**: An additional challenge faced by MiKashBoks was the devaluation of the Naira, which went from N460 to $1 at the time of signing the first contract in April 2023 to N1,600 just over 12 months later. Since the contract with Mercy Corps was in Naira, while MiKashBoks as a non-Nigerian company received their share in US Dollars, this effectively reduced the value of the contract to just a quarter of the initial value.

- **Contract structure**: The receipt of the funds from RRA was dependent on achieving milestones related to the number of groups registered on the app, using MTN MoMo and accessing loans. Payment was only received if these were achieved on time and in full, and so MiKashBoks did not receive payment for the milestones related to MTN MoMo and loans. Since MiKashBoks feel that the delays were largely out of their control, and a result of implementing an innovative project in a challenging environment, they feel that they took on a disproportionate share of the risk.

Looking ahead

As a result of all these challenges, MiKashBoks have made a net financial loss on the project. Therefore, despite having achieved so much in terms of groups using the app, and completing the integration with MTN and registering groups and members for the service, MiKashBoks are unsure as to whether they are prepared to commit the additional resources needed to get groups using MTN MoMo and accessing loans which might lead to a sustainable model.

RinDev's Experience

While RinDev's experience reflects that of MiKashBoks in many ways, their primary responsibility was to **recruit and manage the 10 agents**, who, as already described, played a crucial role in training and supporting the groups. Agents were paid a flat monthly stipend which included their salary and travel expenses. For the first nine months of the project this expense was covered by the project, but now RinDev is paying the salaries themselves. Whether this continues is dependent on whether the service can generate revenue as discussed through subscription fees, use of MTN MoMo and access to loans. For example, MTN have indicated that agents will receive a N100 fee for every customer wallet they open.

Agents were generally **happy with their participation in the project**. Most were motivated by a desire to help communities to improve their lives and livelihoods, and by the opportunity to develop new skills and gain professional experience, and by the income. While most felt satisfied with the income level initially, the increase in cost of living during the project meant that by the end, some were having to subsidise their stipends to meet the costs of travelling to the groups. Their continued participation as agents is therefore likely dependent on an increase in their existing stipends.

RRA's experience

A key motivation of RRA to undertake the project, in addition to improving the group experience, was the ability to **use the data on the MiKashBoks platform to manage and report on group performance**. Since the data is self-reported by groups, it represents a much less expensive option for RRA than employing agents to collect and input the data.

This objective was partly achieved through the project. RRA staff indicate that they used the data to **analyse group performance,** both in terms of their usage of the app and their savings and loan behaviour, enabling them to follow-up with agents to address challenges. They were also able to submit accurate reports to the donor on the project progress and the performance of groups.

However, to achieve full and accurate reporting**, all groups need to be using the app, and there should be confidence that the data is accurate**. However, the activity levels were below 100%, and falling, and it is not clear that the data was routinely checked and verified to give sufficient confidence in it's quality.

Summary and looking ahead

- Using the app **improved group record-keeping and increased the confidence** that members had in the process and each other. This encouraged them to save more and improved social cohesion. This seems particularly true for women within the groups.

- Getting groups to use the app required **training and support** from dedicated agents. Despite this support, some groups stopped using the app due to challenges of phone ownership, network, and data costs.

- Most groups require **access to credit** through the app to derive sufficient value to incentivise them to continue using it. This is challenging because it requires groups to use the app long enough to build up a transaction history, and requires linkages with FIs who can use and trust the data to assess credit-worthiness.

- The **rigidity of the contract**, in particular the need to meet milestones in full in a relatively short timeframe (12 months), and the denomination in local currency, resulted in MiKashBoks bearing all the risks associated with delivering the project. Alternative structures and contract types should be used to share the risks, for example breaking down milestones into more achievable targets, or reimbursing costs based on effort.

- MiKashBoks are unsure as to whether they can commit the additional resources needed to scale up the model and reach sustainability. This experience mirrors other deployments in the sector. No Fintech platform has yet proven **commercial sustainability** in this space and providers are struggling to scale-up amid short grant cycles; most platforms reach less than 10,000 groups and no platform has reached more than 1 million users[4].

- There is a need therefore to continue to **develop innovate business models and partnerships** that sustainably deliver value to groups. This will likely require continued subsidies, structured in ways that mitigate costs and risks in the short to medium term, while incentivising models that move towards commercial viability. This will likely require:
    - Fintech platform providers to link to multiple partners to increase the range of services that groups can access and to diversify income streams for providers. Initial engagements and pilots should focus on minimum viable products that minimise the integration and development required while proving the model's desirability and viability;
    - Support other actors, in particular FIs to develop their own apps which may increase their willingness and ability to provide credit
    - A focus on strong, mature savings groups with consistent savings and loan behaviour, and a minimum level of digital inclusion.

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[4] State of the Practice: Savings Group Linkages 2024 Report, Vision Fund

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