Digital Savings Concept Note Summary

**Why**

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-1) 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.

**What**

By digitizing savings groups, of which a majority of them membership will be women, it 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.

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.

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-2) 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-3).

**How**

This concept note propose seven phases that takes participating savings groups through a pilot phase, ending with an evaluation and recommendations for scaling. The first phase focuses on cleaning data held on savings groups, ensuring the pilot locations meet a variety of criteria including the need for involvement in cash programming (unrestricted cash transfers are preferred, but not required). The second phase focuses on building a terms of reference for the procurement of the digital savings platform partner. This partner will be a crucial element of this concept note, as they will be key for the sustainability of the digital savings groups. The selection of this partner will then lead to a data collection phase that helps fill any information gaps that may still exist before building a robust pilot plan. Once all data gaps are filled, the next phase includes pilot planning. Pilot planning will define the geographic focus and detail the roles and responsibilities between the digital savings platform and organization that has been supporting the savings groups.

During the pilot implementation phase, there will be several points of focus as groups are onboarded. The pilot will be used to test the revenue model for the digital savings platform to better understand their economic viability, while also identifying opportunities for linking more mature savings groups to formal financial service providers. Finally the last phase after the pilot will be to conduct an evaluation on the impact of the digitization process on group members' trust in digital financial services. This evaluation, in addition to the analysis on the economic viability of the digital savings platform will lead to recommendations and insights on the potential for replicating the pilot at scale.

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