

**SUMMARY**

Challenge: VSLA groups often collect weak, arduous paper records, leading to lengthy group meetings, and low confidence in the reliability and security of the records.

Opportunity's Solution: Digitization of VSLA transactions.

Evidence of Success:

- ▶ Increased confidence in groups' records
- ▶ Reduced meeting times
- ▶ Reduced cost of external bookkeepers

Next Steps: Development of wider ecosystem of related apps designed, among other things, to link groups to formal financial services.

THE CHALLENGE: DEEPER FINANCIAL INCLUSION FOR WOMEN

Despite efforts to increase financial inclusion, many low-income individuals – especially women – continue to be excluded from formal financial services due to various barriers such as literacy, geography, and social norms. Semi-formal savings groups, such as Village Savings and Loans Associations (VSLAs), have been an essential source of financial services for many – especially women – who are unable to access formal finance. VSLAs are a simple and secure system for communities to save money, receive loans, and secure emergency insurance. The typical record-keeping consists of a group ledger and individual passbooks, with calculations performed by hand or with a calculator. While this record-keeping is very transparent, it is also time-consuming, prone to error and manipulation, and vulnerable to natural disaster. Good records are essential to guarding trust within the savings groups. Trust is the key to the social cohesion that keeps the groups functioning. In addition, good records can be a gateway to linking with formal financial institutions to further safeguard savings and to capitalize loan funds because good records demonstrate to banks that groups are reliable and provide visibility into the group's finances to banks can easily judge a group's credit worthiness.

OPPORTUNITY'S INNOVATION: DIGITIZING VSLAs

As part of a larger program to strengthen VSLAs, Opportunity has developed an app to digitize VSLA record keeping. The app digitizes the transactions that are normally recorded in the group ledger, including –

- ▶ Attendance
- ▶ Shares purchased
- ▶ Savings deposited
- ▶ Interest earned
- ▶ Loans disbursed
- ▶ Loan payments collected

The app is being tested among VSLAs in Malawi. The pilot program included 503 members from 20 VSLAs in two districts. Each group received a smart phone and power bank to operate the digital app.

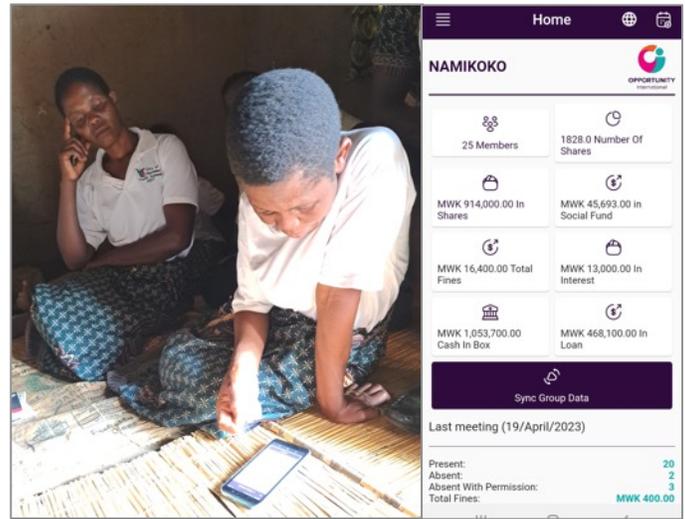
RESULTS: DIGITIZATION IMPROVES RECORD KEEPING

To evaluate the pilot program, Opportunity carried out a baseline, mid-point, and endline evaluation involving a survey and focus group discussions. The evaluation showed very positive results. 99% of members reported having received training from Opportunity on digital record keeping. Other positive results included –

- ▶ **Confidence in Financial Management:** Before digitization, 38% of members felt confident in their group's financial management; afterwards, 98% felt confident in their group's financial management – a huge increase.
- ▶ **Increased efficiency:** There was a substantial decline in the number of people reporting long meeting times, from 38% to 8%.
- ▶ **Lower cost:** For groups that hire accountants or bookkeepers, costs were reduced by a third.

These results emerged from process improvements, mentioned in focus groups discussions. For example, they were able to achieve –

- ▶ More accurate, faster calculations, and financial record entry;
- ▶ Increased transparency and improved conduct of leaders;
- ▶ Reduced need for manual accounting practices.



These improvements in turn strengthen member buy-in to the group. Further, the digitized records provide immediate feedback to Opportunity on the status of groups, which facilitates access to formal banking services.

ONGOING CHALLENGES: LACK OF SMARTPHONES, ELECTRICITY, AND CONNECTIVITY

Opportunity has faced two key challenges in implementing the digitization process:

- ▶ **Lack of affordable smartphones:** Many group members do not have smartphones, and so are not able to view their accounts digitally. They still rely on paper passbooks.
- ▶ **Connectivity and electricity:** Because the groups are primarily in rural areas, internet connectivity and electricity to charge the phones are a problem.

Opportunity is working to troubleshoot these issues. For example, financial service providers might be able to establish a revolving credit fund for smartphone purchase. Opportunity is also considering giving power banks to groups along with the smartphones to facilitate longer electricity access and more convenient charging.

NEXT STEPS: DEVELOPMENT OF ADDITIONAL ECOSYSTEM COMPONENTS

Opportunity envisions multiple components of a savings group digitization ecosystem. In addition to the group app and dashboard already developed, Opportunity is working on –

- ▶ **Individual App** to replace paper pass books;
- ▶ **Community Officer / Farmer Support Agent app** to provide field staff with up-to-date information on a group's transactions;
- ▶ **Bank linkage app** to facilitate linkages to formal financial institutions.

A more fully digital ecosystem is being designed in order to deepen the benefits of digitization and link groups to formal financial services, thus deepening financial inclusion for rural women.

