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Unlocking Public and Private
Finance for the Poor

DIGITAL SAVINGS GROUPS

A Learning brief

JULY 2022



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1. Executive Summary

Savings groups have been an inherent part of refugee response actors' efforts to promote self-sufficiency, resilience and financial inclusion amongst refugee populations in Uganda. These actors, often encouraged by donors, are increasingly looking to make much of their support to savings group digital. This learning brief sets out to support the harmonisation and standardisation of practices at a time when many stakeholders in Uganda's refugee response are starting, or investing further in, their engagement with digital savings groups.

Despite the many benefits of digital savings groups, a responsible and sustainable move from paper-based to digital, requires significant investment of time, resources and finances and fundamentally, some groups may never be able to make or sustain the transition.

By providing an agreed understanding of the terms used, and giving relevant and current background and context, including the legal and policy environment, this learning brief lays the groundwork for engagement. Moreover, by providing an overview of some of the practical benefits and challenges, and supporting the understanding of the motivations and decision-making process of refugee response actors, it aims to better enable them to make informed choices as they decide whether or not to take their savings groups digital.

2. Background

As part of ongoing learning work on financial inclusion, the Cash Working Group (CWG) and U-Learn conducted Learning Reviews on Financial Literacy Training (FLT) and digital FLT in the Uganda refugee response. A [FLT Learning Brief](#) and a [digital FLT learning brief](#) were produced to summarise and make available the existing evidence and learning.¹

During these processes, the digitisation/ digitalisation of savings groups (Digital Savings Groups or DSGs) came up as a topic of interest to many of the

What is a Learning Review?

The purpose of a Learning Review is to learn and improve. It is broken down in four phases:

- 1. Collate and curate existing evidence**, which culminates in the development of an internal analysis
- 2. Develop lessons learned and recommendations** through a learning discussion
- 3. Disseminate learning** through a learning brief
- 4. Follow-up activities and outputs** to support uptake of learning

¹ U-Learn - Financial literacy training in Uganda's refugee response – A Learning brief (November 2021) available at <https://ulearn-uganda.org/financial-literacy-training-in-ugandas-refugee-response-learning-brief/> ; Financial Literacy Training Learning – webinar discussion recording (September 2021) available at <https://ulearn-uganda.org/financial-literacy-training-learning-discussion-recording> ; U-Learn - Digital Financial literacy training in Uganda's refugee response Webinar Recording (December 2021) <https://ulearn-uganda.org/digital-financial-literacy-training-in-ugandas-refugee-response-webinar-recording/> and U-Learn - Digital Financial Literacy Training in the Uganda refugee response – Learning Brief (February 2022) available at <https://ulearn-uganda.org/digital-financial-literacy-training-in-the-uganda-refugee-response-learning-brief/>

Secondary research, in the form of sourcing and reading over 30 publicly available reports and other publications, was complemented by primary research in the form of key informant interviews with around 10 individuals from across the stakeholder spectrum. Then an internal analysis was produced to support the development of a [hybrid workshop](#) - online and in person – which took place on 28 April 2022, attended by over 60 individuals in person in Kampala and over 100 online. The workshop challenged participants' preconceptions and created empathy for different actors' constraints and motivations.



2 |DSG Brief

3. Defining Terminology²

i. What is a savings group?

A savings group is an informal mechanism to help individuals securely save and borrow money with flexibility.

Since the 1990's, savings groups have been fundamental to programmes seeking to increase household income and financial inclusion.

Savings groups are usually made up of 15 - 30 self-selected members from within a community who meet regularly. By contributing individual savings, members create a group fund from which they can then borrow as needed and repay with interest.³ The savings amount varies per person but usually the group agrees on a minimum and maximum.



The loans are usually up to two or three times the amount the individual has “in the pot” with a 10-20% interest rate repaid in part or in full every month. Members agree on the cycle length - usually a year - and then at the end of the cycle, the entire fund is distributed to members according to the amount each has saved.

A record of the savings, loans and repayments are kept either in a centralised ledger or in individual passbooks, with the cash counted and recorded at the start and end of every meeting, and stored in a locked box, often accessible via a multi-key holder system.

When supported by a third party, savings groups are usually provided with basic FLT covering topics such as savings, record keeping, as well as on issues such as group formation group dynamics, conflict mitigation and mediation.⁴ Groups are often either gifted or loaned the necessary materials to start saving (e.g. box, ledger etc.). Depending on whether the implementing partner is using a village agent (VA) or (digital) community entrepreneur (DCE) model (see Box on pg. 16), they may provide additional training and support on a range of issues and services.

Savings groups often represent “the sole safety net for many households” because they help “build members’ self-reliance, empowerment, and resilience to economic and other shocks” as well as being a source of “financing for approximately 15 - 20 micro-businesses.”⁵ Savings groups also provide “peer support, access to information, and potential for learning” with the “groups’ dynamics and social capital ... a cornerstone of their success and longevity.”⁶

² For more definitions of key terms, see Digital Savings Group (DSG) Glossary: Key Concepts and Terms (May 2022) available at <https://dsghub.org/wp-content/uploads/2022/05/DSG-Glossary.pdf>

³ Groups usually maintain a general fund and a separate social fund - sometimes designated i.e. for school fees, for seeds, or for emergencies.

⁴ See U-Learn - Financial literacy training in Uganda’s refugee response – A Learning brief at FN 1

⁵ SEEP Network - Creating a Resilient New Normal for Savings Groups (February 2021) available at <https://seepnetwork.org/Blog-Post/Creating-a-Resilient-New-Normal-for-Savings-Groups>

⁶ Ibid and Global Communities - Digitizing Savings Groups: Evidence from Tanzania - Understanding the impact of digital ledgers on women’s savings groups (September 2020) available at https://globalcommunities.org/wp-content/uploads/2021/11/PCI_Digitizing_Savings_Groups_Report_Tz_Sept_2020.pdf

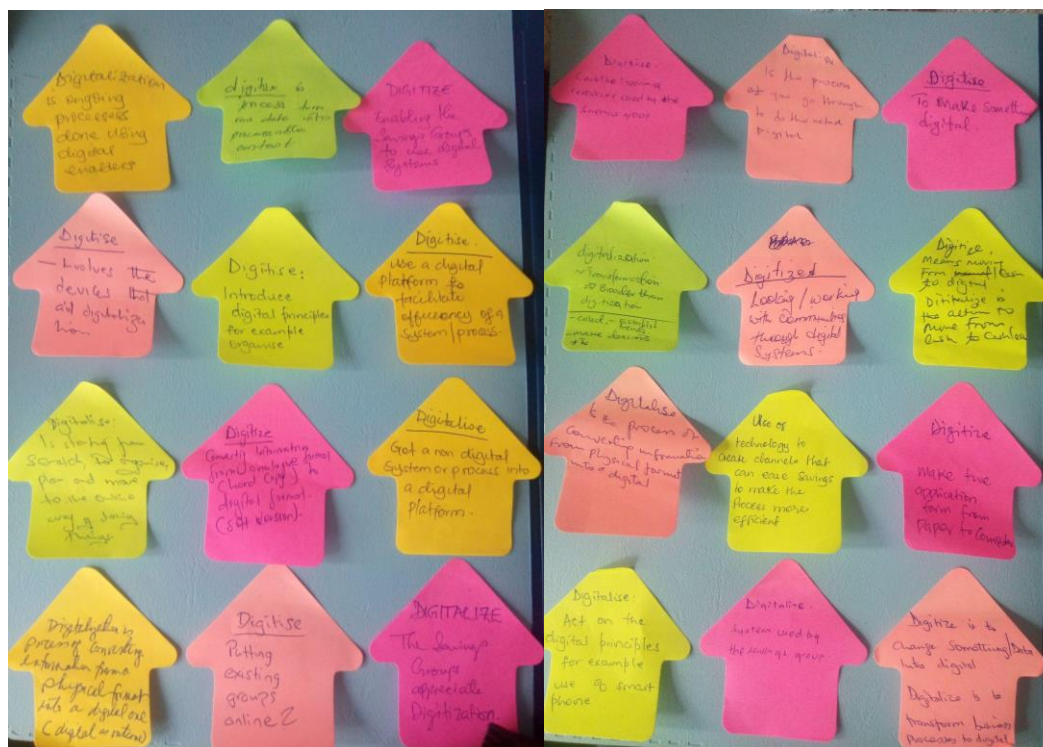
ii. Digitise or digitalise?

The terms “digitise” and “digitalise” are often used interchangeably, however it’s important to understand that they do have very specific meanings and therefore using the correct term in the right context is important to create a common understanding.

Digitising is the act of converting and/or representing something non-digital into a digital format which can then be used by a computing system for a variety of purposes. Within savings groups this is primarily the shift from a paper-based ledger book to a digital one. The information recorded digitally can also include information about the individuals who are a part of the group.

Digitalising, however, most often refers to the creation of a digital application or process, or the use of a pre-existing digital application or process. In the savings groups’ context, this is usually undertaken by a FinTech (see page 13) to take the entire savings group process digital. This will include the digitisation of the ledger information, and, depending on the format, will likely include the use of mobile money transactions and may include access to other digital content and extension service.

Therefore, to be able to **digitalise** the savings group, we **digitise** their records, this then makes a savings group into a **digital saving group** and their journey to full digitalisation can begin, should they wish.



Participants at the U-Learn Digital Savings Group workshop share their understanding of “Digitise” and “Digitalise”. © U-Learn 2022

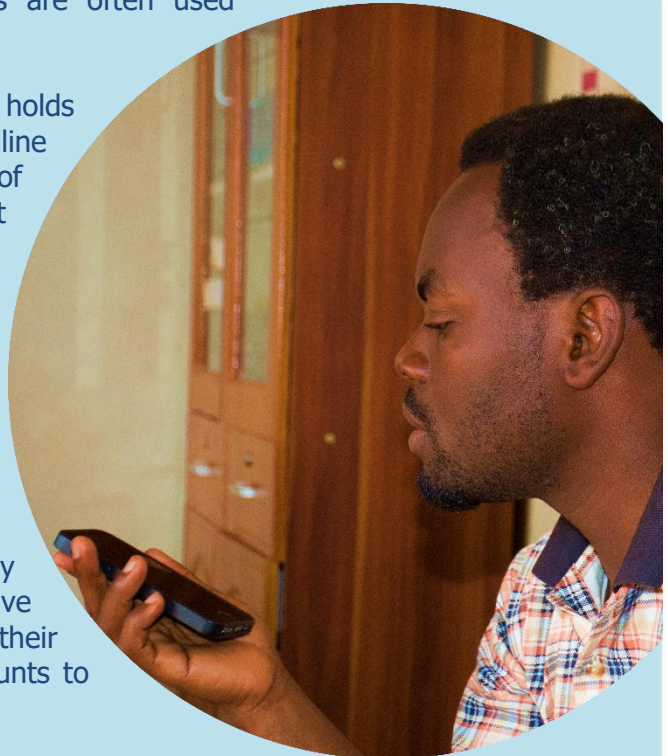
Digital/Electronic/Mobile Wallet

There is a difference between a digital, electronic and mobile wallet though many of their services overlap and as such these terms are often used interchangeably.

A **digital wallet** is a secure technology that holds information to enable the user to make an online purchase i.e. it holds an electronic version of their offline payment systems, e.g. a debit card, removing the need to find and input bank card details when undertaking an online transaction. In addition, it can hold other digital information, e.g. ID, transaction receipts, transport tickets etc.

A **mobile wallet** is usually used to describe an app-based wallet that is available on a mobile device e.g. mobile phone, tablet etc. and is linked to a specific service e.g. Apple Pay or Android Pay. These mobile wallets will have their own e-wallet system that is unique to their app and are linked to the users' bank accounts to enable basic transactions.

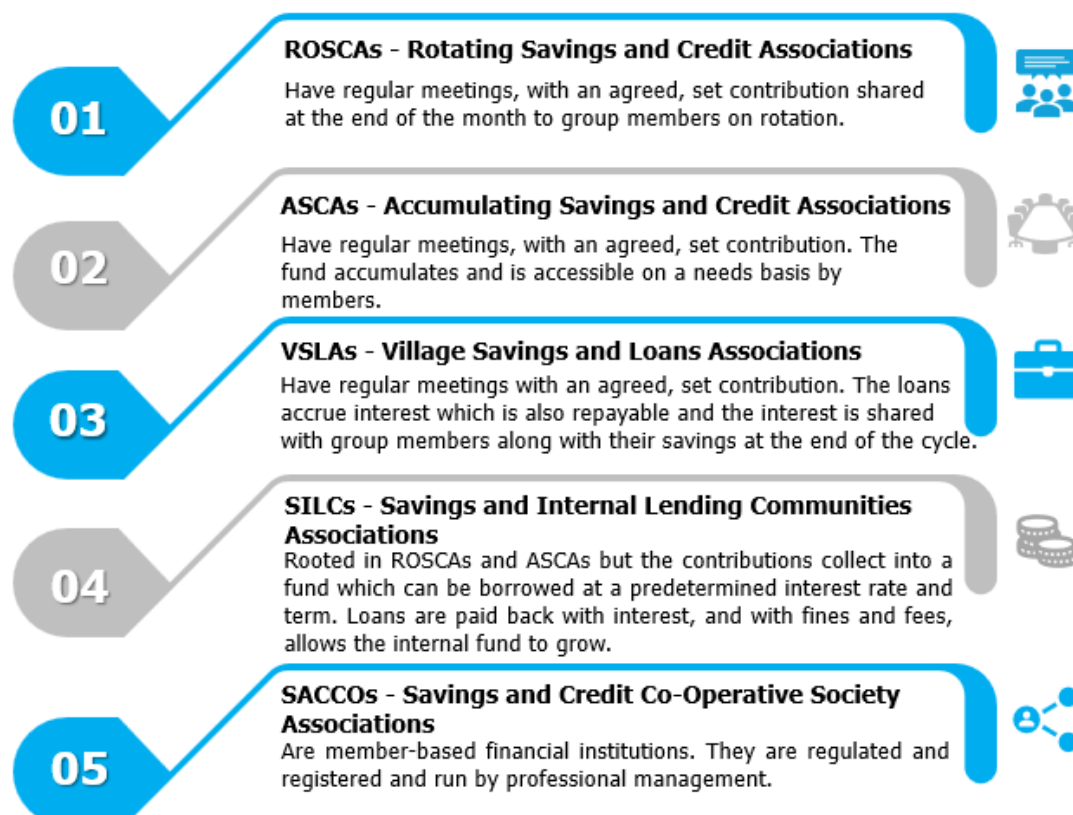
An **e-wallet** is a combination of a digital wallet and a mobile wallet but can also store a balance/credit. Funds can be deposited into the e-wallet via a transaction or via access to a user's bank account and held there to be used in future electronic transactions.



4. Savings groups in Uganda

There are five different types of savings groups in Uganda.

The commonality between the first four is that they are “informal community-based savings groups”, whereas the last is a formal, registered legal entity.



Visual showing the types of Savings groups in Uganda

In Uganda, there are almost sixty-six thousand (66,000) active groups, made up of almost 1.8 million members, with refugees accounting for around 6,000 of these, made up of around 150,000 members – i.e. around 10% of Uganda’s refugee population.⁸

Many refugees are familiar with savings groups from having previously used them in their country of origin and now in Uganda over 40% of refugees have experience with some sort of savings group, even if they are no longer active members.⁹ More women than men are members of savings groups (around 72%). However, even though they are less in number, the male members tend to save more.¹⁰

⁷ See Seep at Fn 4

⁸ SAVIX Dashboard –Uganda country information available at <https://mis.thesavix.org/dashboard/admin> and UNHCR - Overview of Refugee Financial Inclusion (March 2022) Available at <https://data.unhcr.org/es/documents/details/91562>

⁹ Burundi – 39% DRC - 50% Rwanda – 50% Somalia – 13% South Sudan – 7% - BFA Global/FSD Africa – “Grit, Skills and Luck: Examining the Financial Lives of Refugees in Uganda” Available at <https://bfaglobal.com/financial-diaries/insights/grit-skills-and-luck-examining-the-financial-lives-of-refugees-in-uganda/>

¹⁰ BSA Global/FSD Uganda/FSD Africa/UKAID - Rebuilding livelihoods in displacement - Endline Report - March 2022 - available at https://www.fsdafrica.org/wp-content/uploads/2022/02/ENDLINE-REPORT-Rebuilding-livelihoods-in-displacement-eversion-28022022_compressed.pdf and SAVIX at Fn 6



\$73

Average annual savings per member

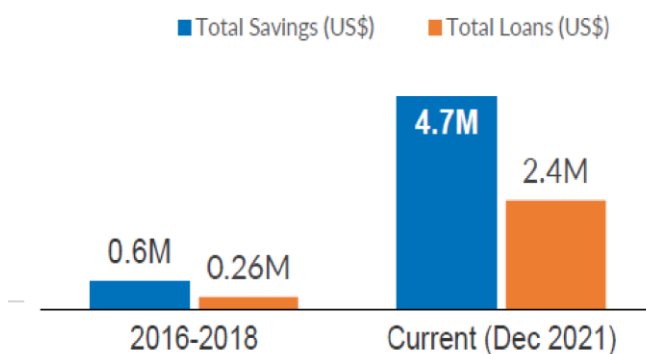


Around 10% of refugees are part of a savings group

Visual showing number and composition of savings groups in Uganda

¹¹Total savings in, and loans from, savings groups have increased considerably since 2016 with the average annual savings per member being \$73 with an average loan of \$43.¹² There was a noticeable decrease in savings during the pandemic but this already seems to be changing again.

There is a significant difference in the amount refugee savings groups save and borrow in the different settlements. Rwamwanja has the highest savings but has a very small loan portfolio, Bidi Bidi has the largest loan portfolio, whereas Nakivale and Oruchinga have limited savings but the highest loan to savings ratio.¹³



Visual showing total savings in USD in Uganda

¹¹ UNHCR - Overview of Refugee Financial Inclusion (March 2022) Available at <https://data.unhcr.org/es/documents/details/91562>

¹² See Savix at Fn 6

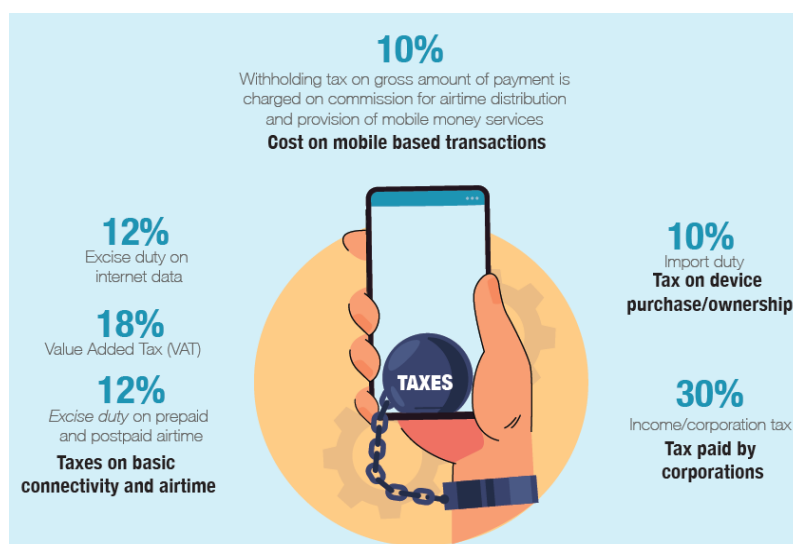
¹³ Ibid

5. The Uganda refugee response as a digital space

Mobile internet has driven the recent, exponential growth in internet access in Africa.¹⁴ However poor infrastructure,¹⁵ internet affordability and a lack of access to reliable and affordable electricity still remain significant challenges for many, especially the rural poor, women and persons with disabilities. Uganda has many of these challenges. Ninety-five (95%) of the population are covered by mobile networks, but broadband (i.e. 3G and 4G) "is only at 50%" and the "quality of service [...] remains problematically low".¹⁶

Internet penetration is around 52%, however, the actual percentage using the internet is "much lower as many users have multiple subscriptions".¹⁷

¹⁸Uganda's **data costs** are higher than the African average, with 1GB of data costing up to almost double that of Sub-Saharan Africa's average.¹⁹ The new direct 12% levy on the net price of internet data introduced in July 2021,²⁰ plus other taxes on Information and Communication Technology (ICT) products, airtime etc. "translate into high cost of services, devices, hardware and software, with suppliers and service providers passing [this] ...onto consumers ...aggravating the affordability challenge."²¹



As such, **digital exclusion** remains high in Uganda with refugees being amongst the most excluded.

Mobile phone ownership is still low but growing, though basic phones "are the most prevalent mobile device owned and used by refugees and host communities".²²

¹⁴ Estimated to increase by a further 9.7%, with a penetration rate of 39%, by 2025

¹⁵ An estimated 45% live farther than 10km from the network infrastructure essential for online education, finance and healthcare services. CIPESA - Towards an Accessible and Affordable Internet in Africa - Key Challenges Ahead (December 2021) - available at <https://cipesa.org/2021/12/towards-an-accessible-and-affordable-internet-in-africa-key-challenges-ahead/>

¹⁶ LONDA – Digital Rights and Inclusion Annual Report 2021 (May 2022) available at <https://paradigmhq.org/wp-content/uploads/2022/05/Londa-English-Report-real.pdf> citing World Bank Group, <http://documents.worldbank.org/curated/en/630051615474731857/pdf/Project-Information-Documents-Uganda-Digital-Acceleration-Program-P171305.pdf>

¹⁷ Digital Taxation in Uganda - a hindrance to access and use of digital technologies (March 2022) available at <https://cipesa.org/wp-content/uploads/2022/04/Digital-Taxation-in-Uganda-A-Hindrance-to-Access-and-Use-of-ICTS.pdf>

¹⁸ CIPESA - Digital Taxation in Uganda - a hindrance to access and use of digital technologies (March 2022) available at <https://cipesa.org/wp-content/uploads/2022/04/Digital-Taxation-in-Uganda-A-Hindrance-to-Access-and-Use-of-ICTS.pdf>

¹⁹ 1 GB costs 16.2% of an average Ugandan's monthly income in 2021, compared to Sub-Saharan Africa's average of 9.3%. See CIPESA at Fn 13

²⁰ The 12% levy also attracts and additional 18% VAT

²¹ See CIPESA at Fn 13

²² DCA/SCC/MSC – Refugee's digital financial service needs (DFS): Assessment of drivers, barriers and solutions for use of digital financial services by refugees in Kenya and Uganda (July 2020) - available at <https://reliefweb.int/report/uganda/refugees-digital-financial-services-dfs-needs-assessment-drivers-barriers-and>. There are 3 different types of phone recognised by the UCC – a "basic" phone, a "smart" phone and a "feature" phone - however the distinction between a basic and feature phone is minimal with both used interchangeably in various documents. BSA Global/FSD Uganda/FSD Africa/UKAID - Endline Report at Fn 8

Since 2016, the government has required mobile network operators (MNOs) to register all SIMs using specific identity documents. This made it harder for refugees to own a SIM card in their name, but recent changes have made this more feasible,²³ which is helping to increase the use of **mobile money** by refugees. An average of around 65% of refugees now have a mobile money account, though a gender gap remains whereby 75% of male refugees compared with 59% of female refugees own a mobile money account.²⁴

Over 64% of refugees use mobile money, which, alongside direct cash, is the preferred mechanism for both humanitarian aid receipt and commercial use. Women still prefer direct cash, whereas men prefer mobile money, which is likely down to the gender differences in mobile phone access and digital literacy. However, access to a mobile money agent can be difficult for many refugees and the lack of digital literacy, reduces its efficacy and use. Mobile money users are predicted to grow by 4.3% with a penetration rate of 50%.²⁵

Definition: Types of phones

Basic phone: A mobile phone without apps, social media or internet access. It often has a small screen and a small numerical keypad.

Feature phone: A mobile phone with social media and internet access. It has some apps already, but cannot download new apps. It usually has a small screen and a small numerical keypad.

Smart phone: A mobile phone with social media and internet access that can download new apps. It often has a large touchscreen and no keypad



A Mobile money agent in Bidi Bidi settlement in West Nile region, Uganda © U-Learn, 2021

²³ See legal and policy section below, however refugees have still had issues registering SIMs due to a misunderstanding of what refugee ID is valid.

²⁴ No doubt alongside the COVID-19 pandemic and many refugee response actors moving to digital cash disbursements - see BSA Global/FSD Uganda/FSD Africa/UKAID - Endline Report at Fn 8 and GSMA - The Mobile Economy Sub-Saharan Africa 2020 https://www.gsma.com/mobileeconomy/wp-content/uploads/2020/09/GSMA_MobileEconomy2020_SSA_Eng.pdf and U-Learn Financial Services in the Uganda Refugee Response – An assessment of users’ perspectives. Available at https://ulearn-uganda.org/wp-content/uploads/2022/01/Cash-Deep-Dive_V8_Final-Feb-22.pdf

²⁵ See GSMA - The Mobile Economy Sub-Saharan Africa 2020 Ibid and U-Learn Financial Services in the Uganda Refugee Response – An assessment of users’ perspectives Ibid

6. Legal and policy environment

The Ugandan government has recognised the need “to increase the penetration and use of ICT services for social and economic development” and this is reflected in both the [Digital Uganda Vision](#) and the Digital Transformation Programme.²⁶

At a regulatory level, the [Uganda Microfinance Regulatory Authority \(UMRA\) Tier 4 Microfinance Institutions and Money Lenders Act, 2016](#) regulates savings groups although only SACCOs are obliged to register. Registration of any savings groups - with the local Community Development Officer (district-level administration) - is possible and provides the opportunity to access other government services and funds including those within the [Parish Development Model](#).²⁷



Recent changes in the legal and policy environment have helped to regularise some of the issues relating to the provision of digital financial services - especially for MNOs. The Uganda Communications Commission (UCC) [Operational Guidelines](#) (of December 2020) state “[a] refugee seeking to obtain a SIM Card in his or her name must produce his or her valid Refugee Identification Card or an Attestation letter from the Office of the Prime Minister”²⁸, removing some of the issues refugees faced in registering SIMs in their names. However, a recent survey found that only “17% of the refugees said that they could access financial services using the Family Attestation letter” - still the predominant form of ID for refugees.²⁹

The recent [National Payment Systems Regulation 2021](#) has provided clarity over who is responsible for, and provides oversight to, which part of the MNO business.³⁰ This has required the MNOs to bifurcate their business, with the UCC continuing to oversee the communications side and the Bank of Uganda overseeing the financial service side.

²⁶ Digital Uganda Vision - available at <https://ict.go.ug/initiatives/digital-uganda-vision/> and Digital Transformation Programme Budget (April 2022) - available at <https://budget.finance.go.ug/sites/default/files/Digital%20Transformation%20Programme%20Semi-Annual%20Monitoring%20Report%20FY2021-22.pdf>

²⁷ UMRA - <https://umra.go.ug/> ; Tier 4 Microfinance Institutions and Money Lenders Act, 2016 - available at <https://www.ulii.org/akn/ug/act/2016/18/eng%402016-10-28> and Parish Development Model - available at <https://statehouse.go.ug/media/news/2022/02/27/parish-development-model-launched>

²⁸ UCC Operational Guidelines - available at <https://www.ucc.co.ug/wp-content/uploads/2020/12/All-Telecoms.Operational-Guidelines-on-simcard-registration..pdf>

²⁹ See Ibid and BSA Global/FSD Uganda/FSD Africa/UKAID - Endline Report at Fn 8

³⁰ National Payments Systems Act 2020 - available at <https://www.parliament.go.ug/cmris/browser?id=aadc2656-b647-490d-9ec5-0e7203abe27c%3B1.0>

Know Your Customer (KYC) requirements for banks, can be “decided on a case-by-case basis”³¹ with banks able to “[...] decide which type of documents they allow, so long as it is issued by official sources” according to the [Financial Institutions \(Anti-money Laundering\) Regulations 2010](#).³² This flexibility should make it easier for refugees to provide sufficient documentation to open bank accounts, however, the reality is that instead, many banks go for a narrow approach, which further excludes refugees. While some banks are now accepting refugee IDs or attestation letters with a reference letter from OPM, others also require additional documentation such as a letter from the local council and/ camp commandant.

7. Savings groups in the Uganda refugee response

For rural populations (which represent over 95% of the refugee population in Uganda), access to traditional financial services - savings, loans, credit etc. - is impossible due to long distances, too expensive or simply not an option due to general financial exclusion issues (only 17% of refugees have a bank account).³³ As such, informal financial services through, for example, savings groups have been filling this gap for many years.

Proportion of respondents reporting currently using each mechanism	Refugees
Mobile money	64%
Bank transfers	17%
Prepaid or smart cards	27%
Direct or OTC cash	52%

8. Who is driving the digital transition?

Refugee response actors’ role in the digitisation/digitalisation process

The move towards turning refugee savings groups into digital savings groups (DSG) is still in its early stages, with a number of refugee response actors carrying out DSG pilots to assess the reality for these groups and where support is needed.

There is certainly a significant interest by refugee response actors in moving saving groups digital, particularly since the COVID-19 pandemic, which required many to move their response online.³⁴

The method and mode of migrating refugee savings groups into the digital realm is extremely varied and the decision as to whether to digitise or digitalise seems to lie primarily with the refugee response actor and their chosen FinTech partner rather than with the refugee saving groups themselves.

³¹ Grameen/SIDA/UNHCR - Assessing the Needs of Refugees for Financial and Non-Financial Services - Uganda Final Report (April 2018) - available at <https://www.unhcr.org/5bd01fab4.pdf>

³² IRC - COVID-19 and refugees’ economic opportunities financial services and digital inclusion (November 2020) - available at <https://www.rescue.org/sites/default/files/document/5433/improvingfinancialhealth-r3.pdf> and Financial Institutions (Anti-money Laundering) Regulation 2010 - available at https://dfsobservatory.com/sites/default/files/FI_Anti-Money_2010.pdf

³³ See U-Learn Financial Services in the Uganda Refugee Response – An assessment of users’ perspectives at Fn 23

³⁴ ICTD - Digital Payments Taxation Factsheet - Uganda (March 2022) available at - <https://www.ictd.ac/publication/digital-payments-taxation-factsheet-uganda/>

What is clear, is that the relationship and trust built up between the members of refugee savings groups and the refugee response actor who work with them, is vital to the success (or not) of the digital savings group in the Uganda refugee response. As such, most FinTechs collaborate with refugee response actors rather than attempting to recruit refugee savings groups directly. This places a large responsibility on the refugee response actors who need to ensure that they balance the needs and expectations of individual groups and any commitments to donors with the limited FinTech options currently available in the refugee response in Uganda. Unfortunately, due to the limited number of FinTechs, it is unlikely that any one FinTech is going to meet all the needs and expectations of all the of the refugee response actor's groups.

In an ideal world each group would be matched with the FinTech best able to serve their needs in the short to medium term, however, the reality is that a "one size fits all" approach is more often used – where a refugee response actor enters into a partnership with one FinTech to support a number of groups. Unless the group profiles are very homogeneous, this can reduce the overall efficacy of the migration. Indeed, if the requirements for use of the digital service do not align with the group's digital skills comfort level, internet access or willingness to pay, these groups may underutilise the digital options available and others may be more likely revert back to the paper-based system as soon as they hit a hurdle.

It is important to note that many refugee response actors fund the groups' transition, providing training and resources (human or otherwise) for the vital ongoing support necessary to ensure the DSGs longevity. These costs and who will continue to pay for them, must be taken into consideration when deciding on the viability of taking a saving group digital in both the short and long term.

FinTechs in the DSG space in Uganda

FinTech – a combination of "financial" and "technology" - is a term used to describe technological financial innovations and innovators that aim to automate the delivery and use of financial services and products. FinTechs can be for profit, not for profit, or social enterprises.

Some refugee response actors have created their own digital services, others utilise or partner with pre-existing FinTech services, while some only act as facilitators between the savings groups and for-profit/social enterprise FinTechs. Some FinTechs charge the groups, others charge refugee response actor partners and others generate income through commission on sales of other products etc.

About 12 FinTechs are currently active in the refugee response in Uganda.³⁵ These can be broken down into three main categories:

- 1) Those who digitise the savings groups' records.
- 2) Those who digitise the records *AND* combine other features such as linking to mobile money or an e-wallet.
- 3) Those who digitise the record; combine other features such as linking to mobile money or an e-wallet, *AND* provide access to larger credit opportunities, extension services, insurance and so forth.

³⁵ A mapping was done as part of the research phase in Jan 2022, however this may not be comprehensive. – See U Learn Digital Savings Group – Online Fair (April 2022) Available at <https://ulearn-uganda.org/digital-savings-groups-online-fair/>



FSPs Active in the Uganda Refugee Response

Some FinTechs provide the refugee response actor with savings groups programmes with additional services such as a dashboard or metrics on the performance of their DSGs that can be used for M&E and reporting purposes. In addition, it can also be used to make the refugee response actor support more efficient, i.e. they can identify which savings group needs support and what kind of support and then provide it, increasing that individual savings group's capacity and increasing the likelihood of the DSG continuing, thus improving the initial investment return. Others also provide additional service, insurance, weather and market reports etc., or extension services to the groups, thus increasing their capacity and productivity.

Digital Savings Group Hub

Launched in May 2022, the Digital Savings Group Hub is an online learning and community platform aimed at facilitating thoughtful, safe, and inclusive digitization of savings groups. The overall goal of the Hub is to help actors make sound decisions about whether and how to digitize savings groups effectively.

The DSG Hub contains a wide variety of practical, easy-to-find, and easy-to-use resources to support savings group members and practitioners on their digitization journeys. The DSG Hub also serves as a tool for an ongoing community engagement, allowing diverse actors from across the industry to connect with one another, share insights and experiences, and learn from successes and shortcomings in the sector.

9. Reasons to go digital...or not

There are many benefits to moving a refugee savings group digital, however, it is not without its challenges. Prior to taking a group digital, it is important to do a thorough assessment as some of these challenges can be relatively easily addressed. Others are more complicated and effectively mitigating them could outweigh the benefits, thus making the process unviable.³⁶

i. Advantages of taking a group digital

- **Fund security.** Accumulating cash, which in a paper-based savings group is typically kept in a locked box, poses a serious risk and can cause anxiety for those responsible for keeping it, whereas holding the money electronically means that the group's **funds are more secure.**³⁷
- **Records are more accurate. Allowing for improved profit calculations** that can be better linked to the amount that was deposited and when it was deposited which makes the savings more precise, responsive and flexible. This potentially encourages greater savings at an earlier stage thus giving the fund greater liquidity sooner, and can increase the number of loans available. In addition, **loan defaulting can be reduced.**³⁸ The exact reason for this is unclear but could be linked to the regular reminders and the ability to repay regardless of location.
- **Internal conflict is reduced** through the increased accuracy in record keeping.³⁹ Another reason conflict can occur is when the terms and structures change during the cycle, this is reduced when using a digital system and thus the possibility for related conflict.
- **Individual and collective saving and the building of the individual's trust in the group as a whole is improved.** Many of the FinTechs communicate with each saver at the end of each meeting/transaction which increases and improves individuals' knowledge of their financial situation. This can be in the form of an SMS, print out etc. which shows the individual's personal and group situation i.e. how much has been saved and the (potential) interest each person will earn by being part of the group. This knowledge motivates greater individual and collective saving and has the added advantage of increasing the individual's trust in the group as a whole.
- **Linkages to formal financial services.** Some VSLA platforms enable groups to use their digitized savings and credit histories as alternative credit histories and these records are then used to access loans at formal financial service providers (banks, microfinance institutions, and micro-deposit-taking institutions). This is a key value added for mature savings groups that are seeking to increase the size of their Savings and Loan Fund via external loans.
- Finally, **meeting times are typically reduced** from around 3hours to 60mins or less, which has the potential benefit of enabling new savers (who were put off or

³⁶ See <https://ulearn-uganda.org/recap-and-recordings-of-workshop-on-digital-savings-groups-dsgs/>

³⁷ It's important to note that this is not a failsafe as "17% of refugees have experienced an average loss of thirty thousand Uganda shillings (30,000 Ugx) in mobile money."

According to BFA Global/FSD Africa – "Grit, Skills and Luck: Examining the Financial Lives of Refugees in Uganda" at Fn 7

³⁸ It's important to note that this is not always the case - see pg. 18

³⁹ See Global Communities Digitizing Savings Groups: Evidence from Tanzania at Fn 5

unable to join a group due to the length of meetings) to join, or freeing up time for existing group members to spend on other chores, income generation and other responsibilities.⁴⁰

In addition, there are some positive secondary outcomes that result from taking a group digital, including:

- Using the phones during the meetings and being supported by externally trained individuals has helped to increase people's interest in, and familiarity with, digital technology and services, thus **increasing their digital literacy**. This makes individuals more receptive to utilising other digital services - especially if those services come with in-person support through a DCE/Digital Champion or VA etc. A recent study, by a FinTech, found that the confidence using mobile apps in general increased from 3% to 59% after six months of usage.⁴¹
- A digital savings group can also help **attract younger participants to join savings groups**. Not only are the youth better able to manage in a digital savings group, there is evidence that this can be an additional draw for them.

⁴⁰ See BSA Global/FSD Uganda/FSD Africa/UKAID - Endline Report at Fn 8

⁴¹ HNPW - Leveraging Nexus Enablers - Cash & Digital - Transcending Contexts and Building Financial Resilience through Collaboration in a Post-COVID World: What role might Savings Groups Play? (April 2021) - available at https://www.calpnetwork.org/wp-content/uploads/ninja-forms/2/FINAL-HNPW-Nexus-Enablers-Cash_Digital-Session_Deck.pdf

Village Agent and Digital Community Entrepreneur

Village Agents – in relation to savings groups - are usually experienced savings group members who have been trained to establish, train and support new savings groups on a fee-based service. They are trained and initially supported by a refugee response actor as it was designed as “a low-cost model ... to ensure self-replication and sustainability of VSLAs in rural and urban settings across the continent.”⁴² Some receive a stipend throughout their engagement, whilst others receive a stipend initially but then any additional income is generated through the savings groups they support. This model is often used in community mobilisation or sensitisation for other non-saving groups specific information (for example health messages etc.) or to develop and/or support or promote other services and refugee response actors’ initiatives.



Digital Community Entrepreneurs – are community-based individuals who are selected due to their trust within their community and are able to earn a commission-based income from selling digital products and/or services. They can also act as peer educators of the service and/or additional digital products. They are usually identified through engagement with saving groups and then trained by the service provider to undertake ongoing support and sales within a prescribed number of saving groups in a set geographic area. The viability of this model - especially within a refugee setting - is contested with some finding them self-sustaining, whilst others not.⁴³

⁴² Available at <https://care.ca/wp-content/uploads/2018/12/Village-Agent-Model-Learning-Document.pdf>

⁴³ See CRS – Challenges facing Savings and Internal Lending Communities in a long-term refugee settlement setting – Implementing the PSP model among extremely vulnerable populations of Bidi Bidi refugee settlement in Uganda: Findings and Recommendations (November 2021) - available at https://www.crs.org/sites/default/files/tools-research/crs_sustainable_silc-learning-brief_1apr2022_bsa.pdf and UNCDF - Digital Community Entrepreneurs: Testing Their Effectiveness in Driving Uptake of Digital Financial Services in Rural Areas of Uganda (March 2019) - available at <https://www.uncdf.org/article/4421/digital-community-entrepreneurs-testing-their-effectiveness-in-driving-uptake-of-digital-financial-services-in-rural-areas-of-uganda>

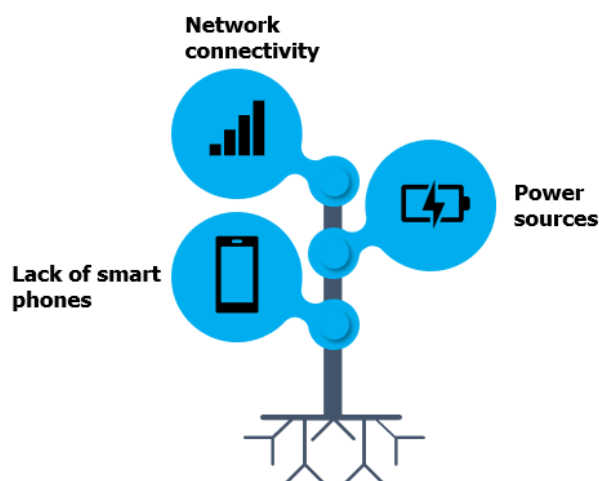
ii. What are the challenges with going digital?

Many of the challenges and issues identified in the [digital financial literacy learning brief](#) also apply to digital savings groups. Whilst some of the practical challenges that could impede the transition to a digital service have been addressed by either the refugee response actor or the FinTech, others remain or are created by the move to digital.

The challenges which many refugee response actors and FinTechs have been able to address include:

Network connectivity - Many digital VSLA service providers have built their services to enable the system to work online and offline to overcome this challenge. When groups use Offline Mode, data is stored on the device until such time as network is available.

Lack of smartphones - Some refugee response actors are subsidising the purchase of smartphones for the savings group to overcome this challenge. Others are lending the savings group the money and allowing them to pay it back over time. In addition, some service providers use hardware that they donate or lend to the group or have made their service available as SMS/USSD content which is accessible on less technologically advanced phones.



Power sources - Some refugee response actors and service providers are helping groups access solar chargers to overcome this challenge. This is done by linking groups to also enabling savings groups to hire-purchase⁴⁴; subsidising their purchase or giving them solar panels etc. to enable them to charge their devices.

However, the **hurdles and challenges unique to digital savings groups which have not been widely addressed to date** include:

One of the major benefits of the traditional savings group model is that once the initial outlay for the box, ledger etc. is made, there really are very few, if any, additional costs. However, **the costs increase and are recurring** when taking a group digital and these costs, and who pays for them, varies depending on the service and FinTech but are ongoing. In addition, additional costs are incurred by the group, – including internet data costs, mobile money fees, transport to mobile money agents, and the internet tax as well as the cost of electricity to charge the device(s). These are all new costs that are not insignificant and incumbent on the groups using a digital service.

The benefits of **shorter meeting times** are described above; but, shorter meeting times can also be a challenge. Savings group meetings are often used as a social gathering and form an opportunity to share knowledge, news, spread positive messages (health, education etc.) and

⁴⁴ Hire purchase is a buying option where the buyer pays for goods in regular instalments. Usually the buyer has to pay a down payment and does not get the title of ownership until complete payment is made.

provide and give emotional and other support. Removing this bonding, supportive and potentially educational aspect of the savings group dynamic has a negative impact and could undermine the trust dynamic which is so important to savings groups.

Moving digital requires significantly greater input and support by either the FinTech or the refugee response actor who is already working with that group, therefore there is an increased **need for additional training and ongoing support**. At the outset, the time investment can be substantial. At a basic level, some members of the group will need to be trained on how to use the service and ideally all members of the group (or at least more than one or two) will receive some additional training. Then, in addition, ongoing support is vital to the longer-term success of the digital savings group. There is a need for trouble-shooting/ongoing support from a technical perspective and to make sure the group is utilising the service to its maximum benefit. This all costs more money for human resources, transport etc.

Errors in data entry – especially in the early stages of use, when the group is getting familiar with the software, could lead to errors in recordkeeping and internal conflict. For this reason, some FinTech encourage a 3-6 month transition period where groups maintain both digital and paper-based records.

The low levels of literacy of existing savings group members will not necessarily be addressed when moving to a digital format. At least at the start of the digitalisation process, there are likely to be more who are digitally illiterate than are alpha-numerically illiterate. This could result in the **exploitation of these illiterate members** by the more literate and/or digitally literate savings group members or result in digital and other fraud by external actors.

Digitalisation also creates or entrenches further pre-existing **gender imbalances and female exclusion**. Whilst it is often the case that savings groups are predominantly female, there is still a problem of gender imbalance within many groups, especially amongst the leadership/Executive Committees, which could be made worse if a group goes digital. For example, if the phone ownership of the group is not assessed or supported by an outside party, many women remain “afraid” of the smartphone thus self-excluding themselves from a more active role. In addition, there are still issues around inter-necine situations around mobile phone ownership that mean women are less likely or able to own their own mobile phones.

Last, **some of the challenges of non-digital savings group remain.**

One of the issues that is often mentioned when discussing moving savings groups digital is the ability for so-called “uncreditworthy” individuals to create a (digital) credit history, without the need for additional collateral - something refugees’ find especially difficult. However, banks and some other (traditional) FSPs do not see these digital credit histories as sufficient to advance loans, so currently this supposed **increase in creditworthiness** remains inconsistent. Examples of where they have been used *in addition* to other (more traditional) forms of credit reference exist, so while there might be some impact, for many lenders and savers, this is not yet a reality.

Whilst going digital has enabled some savings groups to access larger loans from other entities or resulted in an increase in capital in the existing fund, **access to increased capital/larger loans** cannot be assumed and only happens when the FinTech or refugee response actor is actively involved and directly facilitates agreements with partner financial institutions. In addition, whilst some savings group members are improving their repayments, as a result of digital reminders, **loan defaulting does not necessarily decrease**.

iii. Setting Realistic Expectations

Savings groups have had an almost exclusively positive impact on the resilience and financial stability of the refugees involved. Making them more efficient and effective is something that should be encouraged, and going digital is therefore often seen as an obvious direction of travel.

There are many benefits to moving savings groups digital and, on first impression, it would seem that taking a functioning saving group digital, or even creating a “born digital” group, would result in time and resource savings for refugee response actors and increasing the accuracy and efficiency of the groups themselves.

However, with the push to increase efficiency and cost effectiveness combined with the legacy of COVID-19, there is a risk that these benefits are over emphasised, with the negatives, and longer-term sustainability/ breakeven not taken enough into consideration. This can result in misaligned decision making that is not prioritising the savings group members’ best interests.

In the Uganda refugee response, moving savings groups digital is not a “quick fix” and requires more time, effort and finances in both the short and long term, than a traditional paper-based savings group because there is no “one size fits all” solution if the process is done correctly and responsibly.

In addition, to date the trend towards moving a savings group digital has largely been driven by refugee response actors and FinTechs, yet there are time and money costs which are expected to be borne by the groups. Given groups will have to bear these costs, it is important to put the savings group at the centre of this activity and ensure that the projects and platforms are aligning with the needs, expectations and value propositions of group members themselves.

Thus the conversion of a non-digital saving group to a digital saving group, requires undertaking a thorough assessment of the benefits and challenges at an individual savings group level. Criteria, such as the groups’ maturity, total savings as a percentage of the cost of the digital service, financial and digital literacy and mobile phone ownership of the group, amongst other things must be taken into consideration.

A hybrid format is worth considering (and often used already) whereby paper records are kept alongside the digital ones - at least during the transition. This helps build trust in the digital format and enable greater transparency. This is important in particular if they are a one-phone group and, in the case of an issue with the phone (power, tech etc.), it enables the group to



continue until a replacement can be sourced and set up. It might also be possible for the money to be kept in both a digital and cash format. This could reduce some of the related costs of withdrawals and fees but also transport and liquidity and minimise the security risk of holding cash.

However, if done properly, providing the necessary training and long-term support as well as the time and resource investment, giving groups the possibility of going digital in whatever form suits them best, can increase their capacity to save, borrow and create more self-sufficient, financially inclusive and stable lives.

10. Lessons learned

i. Preliminary Assessment Phase

- **Not all groups should go digital. An individual assessment of each group's compatibility for going digital needs to be conducted** using agreed criteria.⁴⁵ Savings groups are as individual as their members so, some groups will be ready to go digital, others will need some support prior to this and others still, will need a lot of support prior to this.
- **The needs, preferences and value proposition for refugees should be central to the planning and decision making of a digital savings group project** – there is no doubt a digital savings group can be easier and more efficient to manage for the refugee response actor but given how vital savings groups are for refugees' self-reliance and resilience, this should not be the driving force. The needs and preferences for product features and additional value added to their savings group should be the main focus. In addition, many refugees don't own a smartphone nor have the digital or general literacy to effectively utilise a digital saving service. These needs must be addressed in advance of taking a group digital.
- **When choosing a FinTech the sustainability, ongoing costs and available/ongoing support provided is essential to know** – this affects how much and who pays for the service i.e. the saving group members or the refugee response actor. Therefore, it is important to be transparent about these costs with the savings groups – in the short term i.e. when supported by refugee response actors and the longer term i.e. when that support concludes. If refugees feel deceived or are unable to afford the costs going forward, they are more likely to leave the service.
- **The maturity level of the group is important in assessing if a group should go digital.** Evidence has shown that more mature groups fare better in the longer term when becoming a digital savings group. Things to consider include the number of cycles, the regularity of meetings and location and the quality of the records. In the case of "born digital" groups i.e. those that are established straight to a digital format, maturity is not criteria but more analysis on their overall needs and composition needs to be done as these are still in the early stages.⁴⁶

⁴⁵ The CWG, LRSWG and U-Learn are working on a Minimum Criteria document

⁴⁶ Dream Start Labs/PCI/ICRW Digital Savings Group Research Brief – (2020) - Comparing "Born Digital" and "Paper-to-Digital" Groups available at <https://dsgithub.org/wp-content/uploads/2022/06/DSG-Study-Brief-BD-vs-PTD.pdf>

ii. Resources and Support

- **The trust built between savings groups and the refugee response actors that support them is crucial to the success of taking a group digital** – This is in part due to the financial and in-kind assistance the refugee response actors provide but also because the refugee response actor is more likely to know the group and be better able to assess if that particular group will benefit from and be able to maintain itself as a digital group (than a FinTech with no prior contact with the group).
- **Providing and maintaining support is essential to ensure the success and sustainability of a digital group.**⁴⁷ The support needed is multifaceted and evolving. It should be physical, on demand support, for at least a full saving cycle. Refugee response actors who start digital savings groups should work with the FinTech to define and map out the ongoing needs of the group and who will meet them.
- **Refugee response actors need to have the expertise and skills to effectively implement a DSG Project if they want to succeed:** Identifying and contracting a FinTech to offer a DSG Platform is only the beginning of a successful, sustainable DSG Project.
- **Training of refugee response actor staff/trainers/ VAs/ DCEs needs to be increased and repeated frequently** – One off training is known to have a limited impact, and one of the advantages of digital services is that it can be flexible and evolve to respond to needs and new technological innovations and developments – as such those providing support and training need to also be trained frequently to be able to effectively support existing groups and train new groups on new developments.⁴⁸

iii. FinTechs

- **FinTech options for DSG in the Uganda refugee response are relatively new, still fairly limited, and not appropriate for all savings groups.** While a few refugee response actors are undertaking pilots with different FinTechs, no actor has yet well proven commercial sustainability in this space. In addition, even outside of Uganda true commercial sustainability - i.e. without additional input and support from a donor, refugee response actor or other 'underwriting' actor is rare.
- **Each FinTech's platform and business model is different. It is important to do a thorough assessment and select the product with the features that match the group's needs and preferences.** This also influences their potential sustainability, as well as the services offered and thus who pays for what. Thus, refugee response actors need to find the right model for their groups.⁴⁹
- **It is unlikely that one FinTech is going to be able to serve the varied needs and expectations of all of the individual saving groups** that a refugee response

⁴⁷ Pilots undertaken by refugee response actors have shown that when the ongoing support is unavailable, many groups revert to the paper-based format.

⁴⁸ Ibid

⁴⁹ See U-Learn's Digital Savings Groups – Online Fair <https://ulearn-uganda.org/digital-savings-groups-online-fair/>

actor works with - refugee response actors should consider partnering with a number of different FinTechs offering different products and services and tailoring the collaboration according to the saving group's needs in the short to medium term.

- **The technology used should be simple and in refugees' primary, or preferred reading, language** – levels of literacy - especially digital literacy, vary greatly amongst the refugee population, even within their own languages.⁵⁰ To ensure the most inclusivity, the simpler the digital service/app is, the better this will enable refugee saving groups to use the service quickly and effectively and will help maintain them as users.
- **Data protection and online privacy issues are a concern** – This is one of the key areas currently overlooked by many and refugees' *informed* consent for the collection and use of their personal data is rarely sought. To be able to ensure informed consent, access to, and a clear understanding of, information about their rights and control over their personal data, are crucial (and should be non-negotiable) for all members of savings groups that are considering or choosing to go digital.

iv. Financial Service Providers

- **Banks in Uganda are not yet ready to take digital saving group records as collateral** without other more traditional collateral. The increase of their individual and collective creditworthiness should not - for now - be the main motivation for taking a group digital.
- **Mobile money or banking agents need to be near and with a large enough float** – paper-based savings groups are used to having access to their money immediately and at no fee. Digitalisation creates a need to be able to access the money through a third party. In some settlements, mobile money and/or banking agents are few and far between, and those that are accessible often do not have floats large enough for large withdrawals, only for day to day transactions.⁵¹ This float size will vary based on the location and circumstances of the groups, and this should be part of the savings group assessment that is done prior to taking a group digital.

50 51% of male refugees report being literate — compared to only 25% of female refugees – See and U-Learn Financial Services in the Uganda Refugee Response at Fn 21

51 U Learn Settlement-level CVA infographics Available at <https://ulearn-uganda.org/settlement-level-cva-infographics/>

11. Acronyms

CWG	Cash Working Group
DCE	Digital Community Entrepreneur
FLT	Financial literacy training
FSP	Financial service provider
ICT	Information and Communication Technology
KYC	Know your customer
MNO	Mobile network operator
SACCO	Savings and Credit Co-Operative Society
UCC	Uganda Communications Commission
VSLA	Village Savings and Loans Associations