**FAHU**
FOUNDATION

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# *Call for Public Comment*
# Digital Savings Group Toolkit Concept Note

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*Thank you for taking the time to review this concept note. Your feedback during this public comment period is critical as we refine this idea to ensure a future toolkit will meet the needs of our sector. We ask that you share your thoughts and reactions to this document through this 5-minute survey by March 10th.  And please distribute this note widely among your colleagues and networks.*

## Introduction

An estimated 200 million people worldwide today are members of informal community savings groups, but managing these groups is not always easy. Each month hundreds of transactions must be calculated by hand. Cash deposits are stored in simple lockboxes, and members are completely invisible to formal banks when they are ready for larger loans.

These trends are driving a shift away from paper-based systems to **digital savings group tools**. The high growth rate of mobile phone penetration, network connectivity, and digital literacy, even in remote rural areas, are making digital savings groups an increasingly attractive option for savings groups. There is also growing evidence that the COVID pandemic will **accelerate the move to digital**.

This demand has given rise to several digital tools designed specifically for savings groups. These tools have been developed by NGOs, banks, and FinTechs, and implemented in projects both large and small around the world. Each of these projects has generated lessons learned from the perspective of implementers, trainers, and group members – **lessons that would greatly benefit others** starting their own digital savings group project.

Organizations like SEEP have done an amazing job sharing knowledge through Tech Fairs, Peer Learning Workshops, and The Mango Tree website — but as the demand for digital grows, more content is needed. The documentation that does exist is not always easy to find, and often not intended for sharing **simple, practical, actionable advice** to those preparing to launch a new digital savings group project. The importance of sharing this information more openly has significant implications – not just for NGOs and technology providers, but for savings group members themselves. While going digital will create many new possibilities for groups and their members, it will also bring **new uncertainty and risks**, particularly if implementers and developers repeat mistakes from the past.

To address these challenges, the FAHU Foundation[1], a Danish Family Foundation with a keen interest in innovative savings groups projects, is considering the value of creating a vendor neutral Digital Savings Group Toolkit Project (DSG Toolkit), which will have the goal of gathering lessons learned from across the industry to be shared widely across the sector. The DSG Toolkit is envisioned as a living resource that will remain active, relevant, and regularly add new content.

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[1] The FAHU Foundation strives to create lasting sustainable development by supporting interventions, such as innovative savings groups projects, that help people help themselves. https://www.fahufonden.dk/

## Benefits of Digital Savings Groups

Initial evidence from early digital savings group projects shows promising signs that have implications for all actors in the sector. Potential benefits include improved accuracy of record keeping, reduced group conflicts, greater transparency, less time spent recording financial transactions during meetings, and a chance for members to build credit histories based upon their activities within their groups. For implementers, potential benefits include increased access to accurate, real-time group data, the ability to monitor groups post-project, and the potential for increased replicability of DSGs.

Digital savings groups can also provide potential benefits for financial service providers (FSPs) and governments. **FSPs and other commercial actors** could benefit from increased opportunities to linking with the large informal savings groups sector. **Governments and Research Institutions** could benefit from improved access to reliable aggregate data which could provide new insights and inform policymaking.

## Risks of Digital Savings Groups

The convenience and advantages of digitizing savings groups may come with a flip side – especially if good information is not available as groups digitize. This includes risks to group dynamics; cohesion; marginalization of vulnerable groups, including women and the elderly; expansion of the digital divide between men and women; and misuse of data.

A recent study funded by FAHU pointed the risks to women's participation in leadership of mixed-sex groups and the initial exclusion of those with minimal digital literacy. **Widespread digitization without good information** could easily have a negative impact on the social benefits of groups if they choose to meet less often in person because the group business can be done from home.

## A Growing Urgency

The digitization of savings groups will attract a wide range of new players. All actors in the savings group ecosystem will be affected:

- **NGOs** will need to master new skills beyond those used for implementing paper-based groups.
- **Groups** need capacity to choose digital tools and be aware of their rights and opportunities.
- **Donors** funding savings group projects will need to understand digitization of groups.
- **Commercial actors**, such as technology vendors, mobile money operators, and financial service providers need to understand the dynamics of the savings group sector in order to stay relevant in this developing market and ensure the protection of customers and groups.
- **Governments** might need to adjust legislation or practices in order to pave the way for digital groups and protect their citizens.

## Tool Kit Components

A web-based toolkit could consist of a number of different elements such as: common definitions, practical tips and lessons learned, staffing and budgeting guidelines, overall principles, best practices for technology and implementation, lessons learned, standardization of data and technology, data protection guidelines, and more – for anyone looking to work with digital savings groups.

To create a vibrant ecosystem around digital savings groups, the DSG Toolkit needs to be **simple, relevant, and trustworthy**, including a wide variety content from implementers, developers, and trainers in order to bring **multiple perspectives**. Additionally, the toolkit would include **short, practical lessons learned briefs** with actionable advice for those working with digital savings groups.

Below are some examples of what a digital savings group tool kit could contain:

- Definitions of terms and types of digitization for savings groups
- Overview of technology choices by functionality, requirements, cost, etc.
- Gender intentional tools to ensure digitization projects help women overcome traditional barriers to digital and financial inclusion
- Best practice descriptions of different stages of a digital savings group project
- Tips and lessons learned at different stages of a digital savings group project
- Blogs and "quick tips" for implementers to share informal experiences with digital SG projects
- Guidelines on staffing and budgeting
- Overview guide explaining how to form digital savings groups
- Short learning briefs focused on specific aspects of establishing digital savings groups
- Step-by-step guides explaining how to start new digital groups or convert paper groups to digital
- Checklist of requirements to suppliers of savings apps and other tech providers
- Pre-digitization readiness assessment tool
- Templates for MOUs, RFPs, and contracts with tech suppliers
- Sample monitoring and evaluation indicators and monitoring frameworks
- Guides to understand data privacy, data use and data ownership

## Management and Facilitation

The management and facilitation of the toolkit will be critical to its success. Below are some considerations that will help foster a dynamic, neutral resource.

- Dedicated, funded **project manager** to engage with implementers and technology providers and facilitate the creation and collection of content
- Close collaboration and **linkage with SEEP** and other leading networks related to savings groups and financial inclusion
- Use of a **newsletter to announce new content**, resources and highlight contributors

## Share Your Feedback and Comments

The FAHU Foundation is interested in a receiving a wide range of feedback and comments on this initial concept note. Please use this link or the QR code below to access a feedback form to answer a few questions and share any comments or suggestions you have on the DSG Toolkit concept.