BANKING BEST SURVEY

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Oxford Policy Management

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Savings at the Frontier

Quick Read

Bank accounts could encourage savings groups to save more, says a Tanzanian survey. Financial service providers (FSPs) should make offering group savings accounts their first priority, if they want to build a sustainable, commercial relationship with this rapidly expanding market. Other products and services – like bank loans and insurance policies – could be explored later.

Content

Tables & Figures

The Survey Summary

Bank accounts could encourage savings groups to save more, says a Tanzanian survey. Financial service providers (FSPs) should make offering group savings accounts their first priority, if they want to build a sustainable, commercial relationship with this rapidly expanding market. Other products and services – like bank loans and insurance policies – could be explored later.

The survey, commissioned by the Savings at the Frontier (SatF) programme and Financial Sector Deepening Tanzania (FSDT), interviewed members of ASCA and ROSCA groups in Dar es Salaam, Zanzibar, Iringa, and Singida. Research teams screened 617 members and asked 216 of them about their personal activities and situation, their group, and their relationships with, attitude towards, and requirements of FSPs. Researchers also held 24 focus group discussions.

Two-thirds of members surveyed said they preferred to save rather than borrow and three-quarters of members of distributing groups said they wished they had a way to save for longer than a single cycle. Interviews conducted showed that bank accounts could lead to higher levels of saving by increasing the security of deposits and making it harder for casual withdrawals.

FSPs have reached about a quarter of the 4.4 million Tanzanians who are savings group members, according to FinScope 2017. This, however, means that there are over three million people who could benefit from what FSPs have to offer. Interestingly, the study, albeit of a small sample size, uncovered generally positive attitudes of savings group members towards banks.

The study, conducted between June and December 2017, also reached two valuable but contradictory conclusions. Group members simultaneously seek liquidity and illiquidity – they want to meet immediate cash needs and they want to make it difficult to access savings. Members also need transparency and confidentiality – they want to know what is happening in their groups but they don't want neighbours, friends or family to know how much money they have accumulated.

Ultimately, the increasing number of savings groups opening accounts and the reasons given suggest that savings groups and FSPs should be seen as natural partners rather than competitors. However, knowledge of banking products varies significantly within savings groups and any successful strategy by FSPs to engage them should include financial education.

Quick Questions

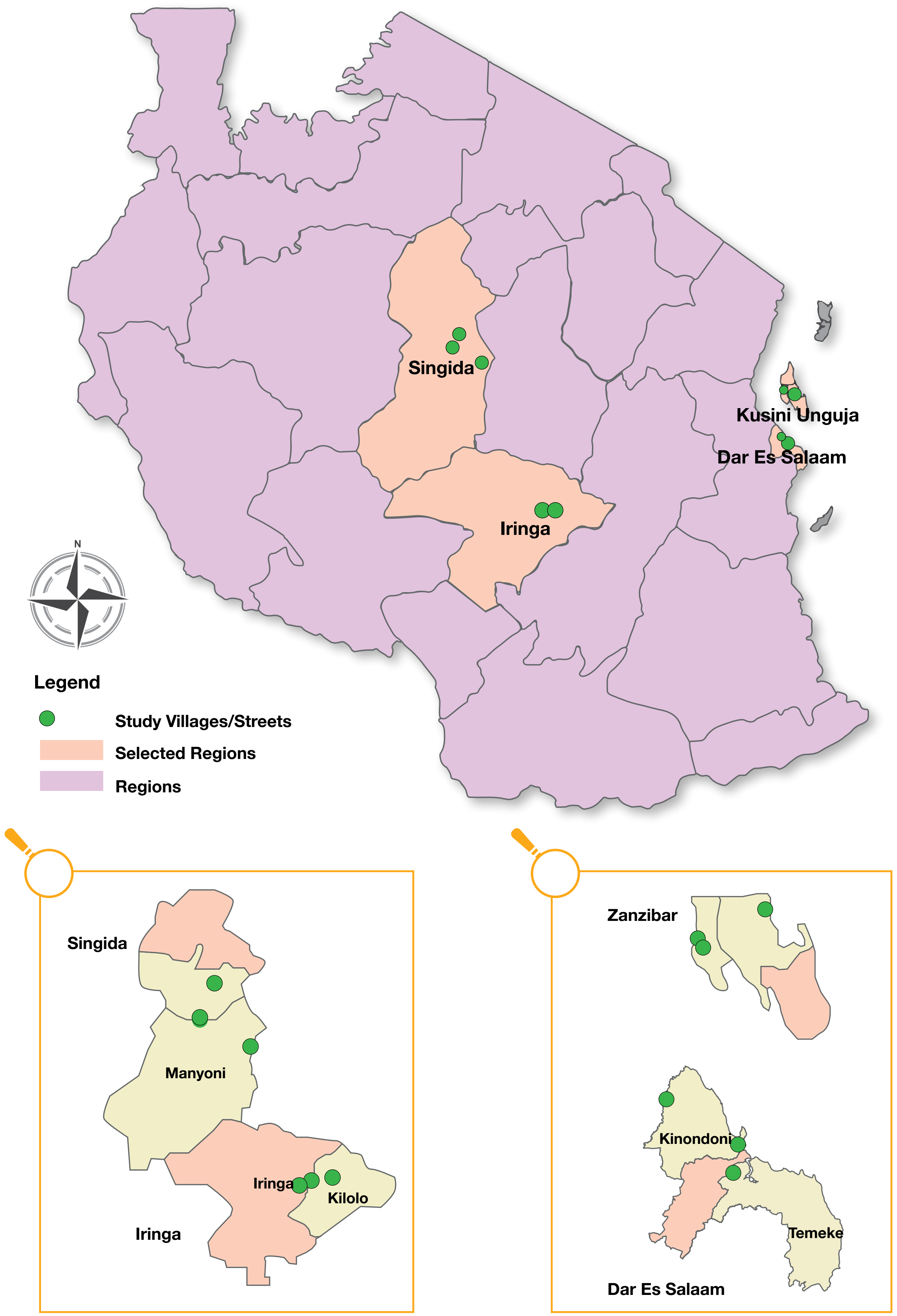
1. Who conducted the survey
2. How was it conducted
3. Was the study useful
?

1. NIRAS, formerly Development Pioneer Consultants (DPC) and savings group expert Paul Rippey conducted this study. It was commissioned by the SatF programme, which is a partnership between Mastercard Foundation and Oxford Policy Management, and FSDT.

2. An initial literature review identified gaps in knowledge and this was followed by field research in four regions of Tanzania: Dar es Salaam, Zanzibar, Iringa, and Singida. The field work involved visits to 505 households across the regions to ask about savings group membership. Of the 617 members identified, 216 were chosen at random to participate in an extensive interview process. The researchers also conducted 24 focus group discussions with informal financial groups and 30 key informant interviews with Community Development Officers (CDOs), group chairpersons, and representatives of NGOs and apex bodies active in providing formation, training and support to savings groups.

3. The study proved useful because of its contribution to the growing evidence base on how best to develop mutually beneficial relationships between FSPs and savings groups. However, the study's size and scope are limited, and its research procedures (including no night-time interviews and no call-backs) biased the sample in favour of female respondents. The study should, therefore, be considered along with other more detailed sources of information, including FinScope Tanzania 2017.

Fig 1. Research areas



Research Focus

- The potential market for FSPs among groups and their members;
- The products and services used, and desired, by groups and their members;
- External factors that can have an effect (positive or negative) on FSP-group relations; and
- The implementation of programmes including the perception of FSPs by members, partners, and entry points.

Summary of Findings

Potential market

A third of ASCA members surveyed said they had a bank account because they wanted more security for their funds but the majority of all those surveyed had no accounts. Most of the unbanked said they were currently trying to open an account or were in favour of opening accounts at some time in the future.

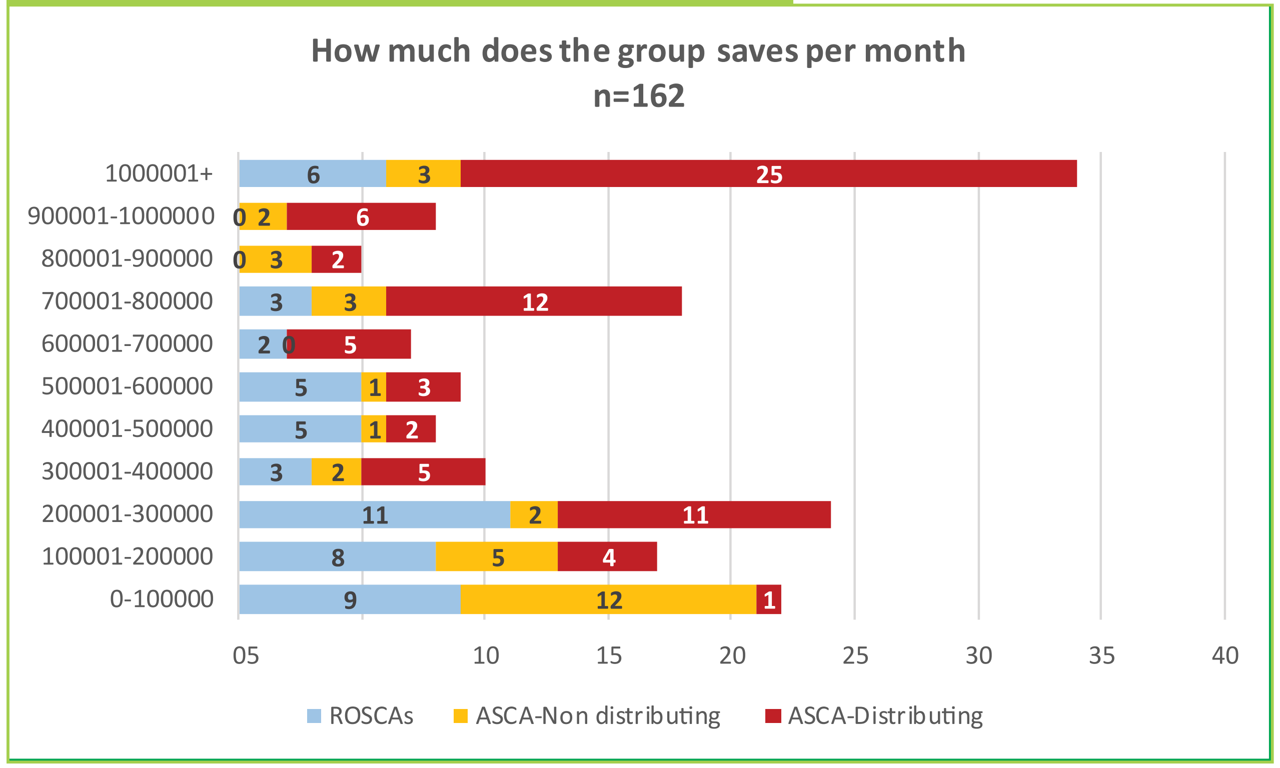
Looking more widely at the Tanzanian savings group landscape, already there are 3.3 million people whose financial understanding has increased due to their participation in savings groups – they remain an untapped market. In addition, the number of people joining informal savings groups is rising.
According to FinScope 2017, 16% of Tanzanians participate in at least one savings group and this is up from the 12% calculated in the previous FinScope 2013 report.

Why do people use savings groups?

Some members use lump sums paid out or loans to invest in land and businesses but there are also those who borrow to cover household expenses and school fees. People also simply save to build a financial cushion for security. Most groups also offer their members some form of social insurance.

This would continue to open an expanding market, It is interesting to learn from FinScope that the increase in savings groups is taking place simultaneously as formal financial inclusion increases, which suggests that different mechanisms fill complementary needs.

Fig 2. Savings per month across SG categories



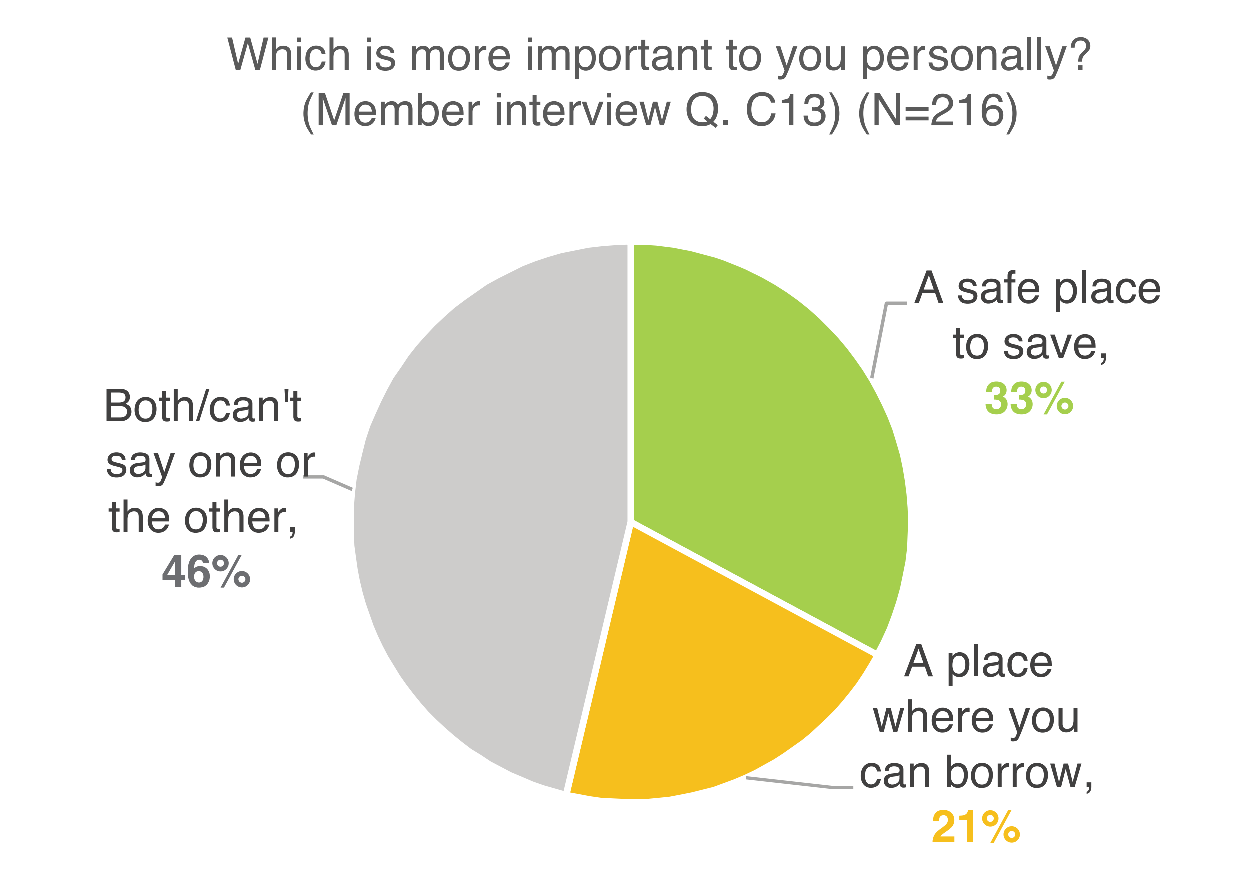
The great diversity of groups and members should be considered. Groups vary in the way they function. Members vary in every aspect -- from poor to not-so-poor; by age and gender; and by the services they want. There is no one-size-fits-all solution, and the diversity calls for flexible products. Although young people were prevalent in the group surveyed, there were no specifically youth-oriented groups. However, with Africa having the world's youngest population, products targeting the young should be considered.

Products and services

Tanzania's savings group sector is large and has expanded rapidly over the last four years. Most members who expressed a preference said they preferred savings over borrowing and three-quarters of those in distributing groups said they wished they could save for longer than a single cycle. FSPs should therefore prioritise the provision of formal savings accounts for groups.

Although a third of members said they wished they could borrow more, only 5% of all groups surveyed with bank accounts used them for borrowing. However, they didn't borrow from banks but rather they used the accounts to borrow through development initiatives. In order to access funding (loans as well as grants) e.g. from the government's community development fund (targeting youth, women and people with disability), a requirement is that they form and register a group and have a bank account. FSPs should be cautious of offering credit because although many members would like to access larger loans, the study was unable to measure the

Fig 3. Saving versus borrowing preferences by group members (Member Q C13, n=216)



credit worthiness of this demand, and introducing external credit can produce stresses within the group, as banks requirements for repayment lack the flexibility that members appreciate in informal groups.
When it comes to insurance products, the widespread social protection offered by groups shows that insurance is important to members. However, it is unclear whether there is a market for external insurance.

External factors

While lists of groups exist in databases, there is no single point via which FSPs can contact them. The Government of Tanzania, which sees a role for the groups in carrying out the national development agenda, has issued the Monitoring and Information Collection Guidelines for Community Financial Group (CFGs) (Government of Tanzania, 2016). The document stipulates that all CFGs should be registered and have a bank account. Information that should be captured includes a description of the group and the members; the status of the bank account; financial statements; loan information; and challenges. Increased registration should make it easier for FSPs to engage.

Some groups surveyed believe that registration is a requirement for opening a bank account and a necessary condition for satisfying Know Your Client (KYC) requirements. In fact, many unregistered groups have opened accounts, and it appears to be the choice of the FSP to require registration or not. This suggests that there is a natural partnership among banks, local officials, and the groups. Banks which help groups meet registration requirements and introduce them to the appropriate officials would be well-regarded by many groups.

The kijumbe factor

Of the eight ROSCAs that took part in the focus discussion groups, five were run by a kijumbe (Kiswahili for 'message'). All kijumbe in our sample were women and their role is to collect the savings of all the members and manage the distribution, in exchange for a fee collected out of those savings. Satisfaction with the kijumbe is high and shows how much members value a commitment savings plan that forces them to save frequently so they can get periodic cash pay-outs. FSPs should investigate the apparent success of the kijumbe ROSCAs. There is strong demand for mechanisms that allow accumulating lump sums from small but frequent contributions.

Implementing programmes

Most members surveyed were positive about banks and preferred them for security and long-term savings. Many groups were eager to open accounts and so FSPs should focus on showing them how easy it is to do so instead of convincing them of something they already want to do.

However, members considered their savings groups to be better at offering convenience, respect, access to loans, affordability and rapid assistance in an emergency. This provides valuable insight for FSPs. Very few of those surveyed mentioned issues like distance to banks or high bank charges.

The study revealed that there is no single best entry point via which FSPs can engage savings groups. In general, groups' loyalty is to their trainer and the founding member of the group. CDOs could also be used as entry points if they have a stable relationship with the groups. Radio and television are likely to reach a greater number of savings groups than standard printed publicity material. Once connected with groups, FSPs can continue communicating via SMSs, which are widely used by groups as well, who use text and voice to manage group affairs.

Survey sample group profile

The survey involved three kinds of savings groups: distributing ASCAs, non-distributing ASCAs and ROSCAs. People save the most in distributing ASCAs and the least in ROSCAs. There were also considerable variations in amounts saved and this makes it difficult to define a typical member by their motivation, their wealth, or the amounts they save. The table below shows the breakdown according to region and type of savings group.

From the 617 screened members, Zanzibar registered the largest number of group members (171), followed by Dar es Salaam (160), Singida (144) and Iringa (142). Dar es Salaam, Zanzibar and Iringa have a relatively high number of ROSCA members compared to Singida. Distributing ASCAs have high distribution among the four regions, with slightly higher values in Zanzibar and Iringa.

ROSCAs (Rotating Savings and Credit Association): Non-accumulating groups that distribute all the money received at regular meetings to each member in turn.

ASCAs (Accumulating Savings and Credit Associations): Accumulating groups that collect savings from all members at regular meetings, and build up a fund used for lending to members. ASCAs can be distributing or non-distributing.

The study found that almost every respondent had a phone and almost a quarter of the phone owners had a smartphone. Most members used mobile money but only a few groups so far were using this service.

Table 1

Group type	Dar es Salaam	Iringa	Singida	Zanzibar	Total	Percentage
Distributing ASCAs	67	87	68	94	316	51%
Non-distributing ASCAs	38	10	52	23	123	20%
ROSCAs	55	45	24	54	178	29%
Total	160	142	144	171	617	

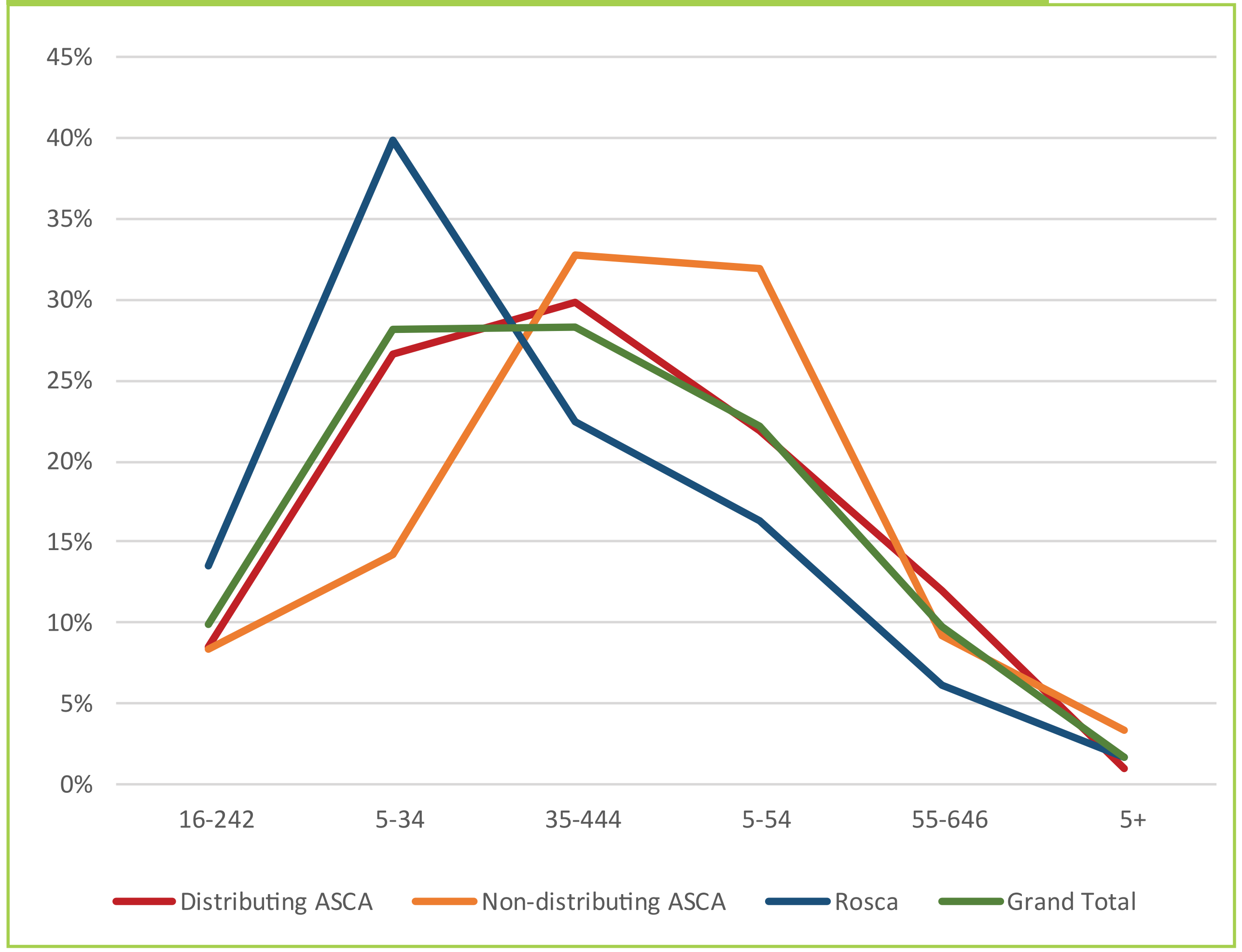
Challenges due to the availability of bank agents and of agents having sufficient liquidity varied between the regions. In Singida, considered one of the most financially excluded regions (FinScope 2017), agents were perceived to be far apart and sufficient float was an issue.

The table compares shows the savings groups' characteristics according to gender and age, and also by indicators of modernity: whether the member has a personal bank account, a smartphone, and whether he or she uses mobile money.

Table 2

	Key member characteristics (Member Qs A1, A2, C19, C20, n=216)				
	Percentage female	Average Age	Member bank account	Smartphone	Mobile money
Distributing ASCA	94	42	20%	18%	82%
Non-distributing ASCA	84	45	20%	16%	87%
ROSCA	95	40	22%	15%	81%

Fig 4. Distribution of members by different age bands



About FSDT:

The Financial Sector Deepening Trust in Tanzania (FSDT) adopts a market development approach towards addressing systemic constraints in the market and to contribute towards achieving pro-poor growth in the financial sector. FSDT serves 4 core markets – women, youth, enterprises and rural farmers.

FSDT uses a broad range of financial instruments – including loans, guarantees and grants - to spur innovation among Financial Services Providers (FSPs) and the development of the financial ecosystem. Leveraging on its position as a thought leader in financial inclusion, FSDT acts as a facilitator in the market through a combination of convening, advocacy and engagement support delivered to a range of stakeholders, as well as by implementing research and development and supporting the uptake of innovations in the market. Evidence generation is a cornerstone of the work of FSDT that allows us to understand the level of financial inclusion in the country and to encourage evidence-based decision making by regulators, policymakers and FSPs. This evidence also feeds into the design of suitable activities.

About SatF:

Programme description

Savings at the Frontier (SatF) is a six and a half year programme (2015-2022) that seeks to bridge the gap between the supply of formal financial services and informal savings mechanisms (ISMs) in Ghana, Tanzania and Zambia, so that ISM users in these countries have a greater choice and use of financial services that best meet their needs. SatF is a $17.6 million partnership between Oxford Policy Management and the Mastercard Foundation.

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