# 

# Draft of blog post for DSG Hub

Let savings groups pay

**Key takeaways**

* **Digital tools have opened new opportunities for savings groups, but scaling efforts have largely failed.**
* **A key barrier is donor dependence—funding is limited in scope and duration, focusing more on short-term results than efficiency or cost-effectiveness.**
* **One way of changing this is to rethink how savings group roll-out is funded: Instead of donors, groups should pay, also for digital tools.**
* **If successful, digital tools funded by groups will be able to scale independently of donor funding and better address group needs.**

# Take action

* As a supplier of digital tools: Consider if your digital tool can be sold to savings groups for a fee. Or if they can make existing sustainable operations work better. Do marketing.
* As an NGO or a donor: nudge implementers to require a fee from the groups. Adjust the offer accordingly. Consider using digital tools to increase efficiency.

# Introduction

Digitizing savings groups can lower costs and expand their reach, making it an obvious choice for growth. So why is widespread adoption still lagging? The answer may lie in how these groups are funded - and it's time for a major shift.

A key barrier is donor dependence. Funding is limited in scope and duration, focusing more on short-term results than efficiency or cost-effectiveness. Forming new savings groups at scale still happens with money from donors. Donors’ attention is limited to the duration of a project, usually 3-5 years. In addition, donors want reports and evidence of impact, but find it difficult to assess cost efficiency. If digitalization is to take off at a large scale, a different model is needed.

In this new model, savings groups pay for themselves. The groups pay for their setup, for their training, and for their use of digital tools. Savings groups become customers, not just beneficiaries. Having groups pay will increase the sustainability and scale of the groups themselves, and will also create a real demand for digitalization. Finally, it will ensure that digital tools are serving a market need.

## **Meeting a market demand**

Some months back, I visited a savings group in Eastern Uganda. The group had worked tirelessly for years, saving in the box, taking out loans, and investing. The group had also invested in joint activities. To carry out business together, they looked for what was in high demand locally. And they settled on plastic chairs. The group purchased two hundred of them. People needed them for parties, and having them closer to home was convenient. The chairs were good business.

This story illustrates the importance of market demand: Despite reading hundreds of project descriptions promoting local entrepreneurship and group businesses, I have not once seen “chair renting business” as a proposal. It does not fit our common perception of what increases income and productivity in rural Africa. “If your map does not fit reality, better change the map”, goes a saying. Plastic chairs may not be a textbook business, but they serve a market need.

## **Who is the customer?**

“Lack of market need” was indeed the number one reason for failure among commercial start-ups, cited by Bruce Cleveland in *The Traction Gap*. A market need exists if a product solves a customer problem at the right price. Fast forward to digital savings group tools: They may serve a market need, but for which customer? Today, NGOs pay for digital tools, and group members benefit from them. The true 'customers' of digital tools, in other words, are donors and NGOs, not the savings groups. However, this funding is often only available for a limited period, and once a project ends, so does the digital service. To achieve sustainability, the groups themselves need to become the paying customers.

## **The donor as the customer**

We shouldn’t blame NGOs for not taking up digital tools to a larger extent. They raise funds for projects from donors. What they put in their project descriptions is what donors want. Sometimes it is digital tools. Sometimes it is not. If NGOs include digital tools funding, it will be for the duration of the project. Continuing after a project ends requires local ownership and creativity. The most widely used group monitoring platform, SAVIX, has managed to continue expanding, now covering hundreds of thousands of groups, for the main reason that NGOs need their service for their donors. At the same time, SAVIX has managed to build in features that benefit local implementing NGOs, like lifetime access to the system. For many other digital tools, they may provide a useful service to groups, but their benefits to implementing NGOs and donors are not strong enough for them to be used at scale.

# Let the groups be the customer

What is the solution? The digital tools that survive and scale are likely to be the ones that insist that the groups and their members should be customers. Providers of these tools ensure that products and services address a real need. If members are willing to pay for a service, it is useful to them. In fact, this is what CRS and other savings group implementers have done for years: making groups pay for their own training. Among a network of savings agents in Central Uganda, several made good income, charging two to four dollars per visit. Groups continue to pay year after year for a simple reason: Because the savings group agents provide a useful service to them.

# Digital literacy remains a challenge

One key challenge voiced by all groups and farmers visited remains digital literacy. In a workshop, answering a simple online survey posed great challenges to a group of otherwise very competent savings group agents. As for the actual savings groups, it proved close to impossible. Not to mention the technology hurdle. Many had smartphones, but only about half were charged, and many did not have phone credits. If the groups are the customers, providers will have to take this very seriously.

# Stop giving, start selling

Behind the challenges, there are also opportunities. Digital tools are continuously evolving. Network coverage is increasing. Data prices are decreasing. Several actors are experimenting with financially viable approaches using different strategies: Some link to financial services, others sell products. In these cases, digital tools can improve efficiency. There is, in other words, a business case. Whether this matters depends on who pays. If groups are the paying customers, they also become the decision-makers. Then the business case will matter.

In other words: It is time for providers of digital tools to stop giving and start selling.

.