

Savings at the Frontier (SatF)

A Mastercard Foundation partnership with Oxford Policy Management

Project Briefing: NMB Bank – Bridging the Unbanked



Introduction

Tanzania's NMB Bank Plc (NMB) is receiving support of up to \$1,000,000 from SatF to bring formal financial services to some of Tanzania's most excluded communities. NMB has partnered with CARE International and will use the funding to digitise and scale up the bank's current efforts to reach savings groups in peri-urban and rural parts of Tanzania. The project's aim is that, by 2020, NMB will be clearly on track to making group and group member outreach sustainable by adding 100,000 active rural and peri-urban customers to its user base. These customers should be clearly identifiable as members of savings groups, thereby contributing to the bank's longer term goal of signing up 28,000 savings groups with up to 600,000 members actively using NMB accounts.

What difference will SatF's support make?

SatF's support is helping NMB to link its existing group product (*Pamoja*) with *ChapChap*, an entry-level individual mobile banking product. This is enabling NMB to keep transaction charges low and tailor its offer to the needs of rural, unbanked customers – particularly women. The bank will also be testing the efficiency gains from integrating *Pamoja* (the group product) and CARE's *Chomoka* smartphone application for savings groups (SGs). *Chomoka* enables groups to digitise their records and track the savings and credit histories of groups and their members. The funding will also enable NMB to develop and test a tailored credit product suited to the emerging needs, revealed preferences of group members as well as their willingness and ability to meet financial commitments. Through this, they will measure the impact of group loans on group cohesion and financial performance.

The project aims to address three critical challenges faced by financial services providers (FSPs) trying to reach Tanzania's most financially excluded communities:

- **Deepening rural engagement and penetration:** by linking its group product (*Pamoja*) and the entry-level individual mobile banking product (*ChapChap*), NMB can eliminate the fees it would normally charge on member-to-group transactions and create an automatic trail for (i) new members connecting their individual accounts to an existing *Pamoja* account and (ii) new group accounts being created by existing *ChapChap* account holders. This should make its offer more appealing to rural, unbanked customers (of which the majority are women) as well as identifying approaches and customer engagement models that are both effective and scalable;
- **New group acquisition:** in partnering with CARE, NMB will also be able to market their group offering through a wide network of fee-for-service community-based advisers, promoting group self-commercialisation and offering a continuous and growing pipeline of SGs to link. By integrating CARE's *Chomoka* smartphone application for SGs with NMB's existing group account (*Pamoja*), SGs will get the chance to fully digitise all their transactions and track the savings and credit history of members and groups. and
- **Developing and testing a credit product:** NMB and CARE will also develop and test a group loan solution to determine whether entry-level borrowers can qualify for and benefit from tailored bank credit solutions. The pilot will also measure the impact of group loans on group

cohesion and financial performance and define an optimal scale-up model. Based on the results, NMB will integrate a group loan offering with the *Pamoja* account and offer this at scale.

How exactly will this project benefit ISM users?

This project will provide ISM users with more secure, affordable and transparent access to formal financial services and a wider range of products and services. By enabling SGs to digitise their transactions, their members will be able to track and monitor their funds using accurate information on-demand. NMB are working to reduce transaction costs, particularly by eliminating the fees it would normally charge on member-to-group transactions. The project will also possibly enable ISM users to access loans through their groups.

How can this be profitable for NMB?

The level of scale-up that NMB aims to achieve will generate sufficient revenue from interest earned on savings mobilised (through *Pamoja/ChapChap*). Revenue will also be generated from fees and charges on non-group activity, and from the credit offering via loan interest, loan insurance and processing fees. SatF funding will buffer the bank from the large cash outlay required during the first year of the project but thereafter cash flow is expected to turn positive. As scale increases over time, the net cash flow should become increasingly positive, leading to a profitable and sustainable suite of group and individual services.

Why the project was approved

NMB is a large FSP which is already working on the linkage agenda in Tanzania. The move from plain FSP linkage with groups to a triple-win linkage (benefiting the FSP, groups and members) will offer useful insights on the linkage agenda. These will be valuable not only for stakeholders in Tanzania but much more widely. It will also be interesting for SatF to compare the model of a commercial bank working through an INGO third-party facilitator (CARE International) to reach SGs with other models in Tanzania through which commercial banks are working through local NGOs to reach SGs, or opting to directly create their own SGs.

NMB Bank PLC is Tanzania's leading retail bank, both in customer base and branch network. With over three million customers, 228 branches, over 800 ATM's and over 6,800 NMB Wakala Agents. NMB is represented in 100 per cent of Tanzania's districts serving individuals, micro and small enterprises as well as larger businesses. NMB has a strong financial record, based on years of strong and stable performance. NMB is listed at the Dar es Salaam Stock Exchange. NMB's largest shareholders are its strategic partners Rabobank with a 34.9 per cent share and the Government of Tanzania with a 31.9 per cent share.



NMB BANK PLC. HAD A GROUP SAVINGS ACCOUNT CALLED 'NMB PAMOJA' THAT WAS NOT EASILY LINKED TO GROUP MEMBERS INDIVIDUAL MOBILE-BANKING INDIVIDUAL ACCOUNTS. THE ENHANCED MODEL ALLOWS GROUPS AND GROUP MEMBERS TO USE THE BANK'S DIGITAL ADVANTAGE TO OPEN GROUP AND INDIVIDUAL ACCOUNTS ON THEIR OWN THROUGH THEIR PHONES. INSTEAD OF VISITING THE BANK, MEMBERS CAN NOW ACCESS THEIR SAVINGS THROUGH THEIR MOBILE AND A GROWING NETWORK OF BANKING AGENTS. SAYF HAS ENABLED NMB TO IMPROVE THE LINKAGE WITH SAVINGS GROUPS AND WAIVE ALL BANK FEES ON MEMBER-TO-GROUP AND GROUP-TO-MEMBER TRANSACTIONS AS WELL AS INTEGRATE THE NMB PAMOJA ACCOUNT TO OTHER DIGITAL CASH BOOKS THAT NGOs AND LOCAL APEX ORGANISATIONS MIGHT BE OFFERING TO GROUPS.

