

Insights on the preferences and usage of financial services by savings groups in Tanzania

Final report

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Exchange rate: the Tanzanian shilling (TZS) had an exchange rate of US \$1=2248 as of 20 January 2018.

Abbreviations and glossary

| | |
|----------|---|
| AKF | Aga Khan Foundation |
| ASCA | Accumulating Savings and Credit Association |
| ASMET | Advancement for Small and Microenterprises Development |
| BoT | Bank of Tanzania |
| CDO | Community Development Officer |
| CFG | Community Financial Group |
| CRS | Catholic Relief Services |
| DPC | Development Pioneer Consultants |
| ECA | Empowering Community Association |
| FGD | Focus Group Discussion |
| FSDT | Financial Sector Deepening Trust |
| FSP | Financial Service Provider |
| HH | Household |
| IFG | Informal Financial Group |
| INGO | International NGO |
| ISM | Informal Savings Mechanism |
| ISP | Informal Service Provider |
| JOCDO | Jozani Credit and Development Organization |
| KIIs | Key Informant Interviews |
| KYC | Know Your Customer |
| Kijumbe | Kiswahili for <i>Message</i> , used to refer to a ROSCA manager |
| Kuzikana | Funeral Society |
| MCF | Mastercard Foundation |
| PESCODE | Pamoja Entrepreneurship Support for Community Development |
| PO-RALG | President's Office—Regional Administration and Local Government |
| PPI | Poverty Probability Index |
| ROSCA | Rotating Savings and Credit Association |

| | |
|-------------|---|
| SACCO | Savings and Credit Cooperative Organisation |
| SatF | Savings at the Frontier |
| SG | Savings Group |
| SILC | Savings and Internal Lending Community |
| TIMAP | Tanzania Informal Microfinance Association of Practitioners |
| TZS | Tanzanian Shilling |
| Upatu | Kiswahili for ROSCA |
| VICOBA | Village Community Bank |
| VICOBA FETA | VICOBA Federation Tanzania |
| VSLA | Village Savings and Loan Association |

Executive summary

This study of savings groups (SG) was conducted in Tanzania in 2017. Commissioned by the Savings at the Frontier (SatF) programme (a partnership between Mastercard Foundation and Oxford Policy Management) and Financial Sector Deepening Tanzania (FSDT), it was carried out by Development Pioneer Consultants (DPC), a Tanzanian firm, in collaboration with SG expert Paul Rippey.

Objective and research questions

The objective of the research was to identify the potential for linkages of SGs to formal financial service providers (FSPs) based on the needs, preferences, and usage of SGs in Tanzania, and to explore the potential for sustainable commercial relationships between FSPs and SGs.

The research addressed four clusters of questions: 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 questions around the implementation of programmes including the perception of FSPs by members, various partners, and entry points.

Methodology

The study consisted of an initial literature review to identify gaps in knowledge, followed by field research in four regions of Tanzania: Dar es Salaam, Zanzibar, Iringa, and Singida. The field work involved visits to 505 households (HHs) divided among the four regions to ask about SG membership in the HH. This exercise identified 617 members. Of these, 216 users were chosen at random to participate in an extensive interview concerning their personal activities and situation, their group, and their relations, attitude, and desires *vis-à-vis* FSPs. In addition, the researchers conducted 24 focus group discussions (FGDs) with informal financial groups (IFGs), and 30 key informant interviews (KIIs) with Community Development Officers (CDOs), group chairpersons, and representatives of NGOs and apex bodies active in providing formation, training and support to SGs.

The study's mixed methods approach, incorporating insights on the research design and findings from key stakeholders, has produced a set of findings which will contribute to the growing evidence base on how best to develop mutually beneficial relationships between FSPs and SGs. Please note, however, that the study's size and scope were 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.

A note on nomenclature

By SG, we mean a voluntary assembly usually of 10 to 30 people who come together to save, and usually borrow, and often provide a form of social insurance. They are managed by their members and not regulated by any national body. We note that the term 'SG' has also been widely used to refer to a subset of the groups we are considering, described below. However, the broader use of the term is used in the FInScope Tanzania reports, and is current in Tanzania.

Within this broad category, two additional terms occur frequently in this report. ASCAs (Accumulating Savings and Credit Associations) collect money from members to capitalise a group loan fund from which members may borrow. In Rotating Savings and Credit Associations (ROSCAs), members periodically contribute the same amount to a fund that is given in its totality to each member in turn; ROSCAs do not accumulate.

Many other terms are used to describe the informal financial sector. SatF speaks of Informal Savings Mechanisms (ISMs), which include groups but also other ways people save, such as confiding their savings to an individual. This study, however, was limited to groups, a somewhat narrower category than ISMs. Other agencies have their own umbrella terms: The Bank of Tanzania and FSD Tanzania refer to Informal Financial Groups (IFGs), while the Government of Tanzania sometimes uses the term Community Financial Group (CFG).

International and local organisations have received funding to create a particular type of informal group, the time-bound distributing ASCA. Confusingly, many of the agencies that promote these groups have agreed on the generic term "Savings Group" to describe any time-bound distributing ASCA, while simultaneously coining other terms to refer to the groups promoted by their particular agency. Three such names appear in this report: *Village Savings and Loan Associations* (VSLAs), a name popularised by CARE, Plan International, and others; *Savings and Internal Lending Communities* (SILC), the name used by CRS; and *VICOBA* (Village Community Bank), a name widely used in Tanzania (although little known elsewhere). Each approach has particular ways of treating such things as bookkeeping, periodic distribution, and meeting procedures, but groups are free to improvise and often do, so that even within VSLAs, VICOBA, and SILCs, there is great variation.

Findings

A summary of findings from the study is presented here.

Potential market

FSPs have already reached many savings groups and their members, but the majority of groups and the majority of members still do not have accounts, and very generally, they are favourably disposed to having one – if not now, eventually.

Concerning the potential market, the study tested and refined a typology of SGs, settling on a model that classifies groups as follows: (i) whether or not they *accumulate* funds (that is, allow cash to build up between meetings); (ii) if they accumulate, whether they periodically *distribute* the funds collected; and (iii) whether they are *facilitated*, that is, actively supported by an NGO, professional trainer, or apex organisation. In the study sample, distributing ASCAs made up slightly more than half the respondents, followed by ROSCAs and then non-distributing ASCAs. Fewer than half the ASCAs were facilitated, but many of the non-facilitated ones had their roots in procedures that had been disseminated by NGO projects, and then passed on group-to-group or by trainers who continue to do the work they had previously done for NGOs.

To get an estimate of the size of the SG market, we probed the FinScope 2017 data to gather information about the four regions in the study. According to FinScope 2017 (FSDT, 2017), 16% of the adult population was in at least one informal SG, and 64% of group members are women. This number has risen by a third (from 12% to 16%) since the 2013 FinScope survey (FSDT, 2013). This increase is an even higher increase in absolute terms, as the adult population (16 years and above) grew from 24.2 to 27.9 million during the period. Looking more closely at the four regions, Iringa has the highest share of the population in groups (34% of women and 17% of men), while Zanzibar has the lowest share (13% of women and 6% of men).

FinScope 2017 found 4.4 million Tanzanians to be savings group members, one-quarter of whom were banked. That leaves 3.3 million members, most of whom can be presumed to have strengthened their savings and borrowing discipline through their participation in a group, as potential members. In addition, as will be seen below, this study found that many groups already have accounts, but among those who don't, most are either taking steps to open one, or at least think it would be a good idea to open one once the need becomes evident.

The study sought to better understand the **membership profile of SGs**. Women made up 87% of the sample, and the two age bands of 25–34 and 35–44 comprised the highest proportions in the sample. Although there were no specific 'youth groups', younger people were well represented in all kinds of groups, particularly in ROSCAs. Notably, non-distributing ASCA members are a bit older, more likely to be male, and better educated than members of the other two groups.

Although an earlier study (DAI, 2015) found dedicated *kuzikana* groups (funeral societies) in such large numbers that they made it a separate category, the present study found no groups that classified themselves as *kuzikana*. It did, however, find that the practice of social insurance has spread widely. Most groups of all types offered their members some form of social insurance in the case of death or emergency, in addition to the other financial services. None of the groups interviewed had insurance coverage through an insurer such as the National Health Insurance Fund.

The field researchers were surprised to find a number of managed ROSCAs in which a manager, called a *kijumbe*, collects savings and distributes funds, while the ROSCA members do not meet as a group and do not necessarily know each other. The *kijumbe* takes a fee for herself (the ones we encountered were all women) and provides other services including making occasional loans to the members. The presence of the *kijumbes* suggests there is a market for very frequent, very local deposit collection. The reader might look to the *susu* collectors in Ghana¹ who provide a similar service from the user's point of view, but with a totally different financial architecture, as they are sometimes managed by an FSP.

The study also asked **why people used SGs**. The motivations of members varied, from those looking for lump sums to invest in their businesses, to housewives who mainly borrow for HH expenses, to non-specific savers, who want to build up a savings cushion for security. We also found considerable variations in amounts saved, so much so that it is difficult to define a typical member by their motivation, their wealth, or the amounts they save. The study found that people save the most in distributing ASCAs and the least in ROSCAs.

Products and services

In terms of **which products and services SG users value the most**, members declared a preference for saving over borrowing, while about one-third of members said they wished they could borrow more. Three-quarters of members of distributing groups said they wished they had a way to save for longer than a single cycle.

About a third of ASCA members interviewed said their group had a bank account. In every case, the first motivation given for having a bank account was security of funds. Only 5% of the groups with bank accounts used them for borrowing. In no case in this study did they borrow from a bank, but rather they took group loans from development programmes.

The study also found that ASCA members use loans and share-outs from their group in about equal measure for long-term investments in land, businesses, or for paying school fees. The ROSCA pay-outs are more likely to be used for immediate HH needs than are lump sums from the other types of group.

The research team was not surprised to discover that almost every respondent had a phone (94%), but it was surprising to learn that almost a quarter of the phone owners had a smartphone (23%). Most members used mobile money but few groups so far were using this service. Challenges due to the availability of agents and of

¹ A reader might look at the following sources for information about the *susu* collectors: a general description at <http://www.aeafira.org/home/the-susu-collection-system-in-ghana-and-experiences-in-linking-formal-and-informal-financial-intermediaries/>; documentation about the growth and evolution of the *susu* collector sector at <http://africanbusinessmagazine.com/features/countryfiles/ghana-how-susu-evolved-into-microfinance>; a link to one of the collectors' apex organisations: <http://www.ghanasusu.com.gh>. SatF will be supporting projects in Ghana relating to *susu* collection and will be able to share learning from these projects in due course. A follow-up study to this study looking into Ghana and Zambia (the other SatF countries) will also potentially contain information for FSPs about *susu* collectors.

agents having insufficient liquidity varied between the regions. Singida stood out as a region where the agents were perceived to be far apart and where sufficient float was an issue. This resonates with the FinScope findings that Singida was among the most financially excluded regions.

While SG membership has increased from 12% to 16% of the adult population, during the same period, commercial bank outreach increased from 14% to 17%, and an increasing number of people use both informal and formal services.² SGs and FSPs are not competitors, but rather provide complementary services.

There are some indications from the study that bank accounts might encourage group members to save more by increasing security, by keeping money out of easy reach of savers who have many immediate needs for cash, and by facilitating long-term savings, something that three-quarters of the ASCA members in the study said they would like to have.

External factors

Informal groups by definition are not supervised by any national agency. However, registration of SGs at the ward level is facilitated by the CDO, who collaborates with the district or municipality, which issues a certificate. Some groups perceive registration as a step on the path to opening a bank account, although a number of groups have opened accounts without being registered. Some groups in the FGDs also said they expected registration to lead to grants from government and NGOs and support from local authorities in solving problems inside the groups. Despite the importance members attach to registration, less than one-third of the groups in the sample were registered. The percentage was higher among facilitated groups, where the partner agencies inform the groups of the steps required to register. As a consequence, there are significantly more registered groups in rural areas, where groups are more likely to be facilitated.

The CDOs interviewed felt themselves underutilised by both I/NGOs and FSPs. Some felt offended because they were paid a visit initially, but as soon as groups were established they were no longer consulted. On the other hand, some groups say they received support from the CDOs during the registration process, but after registration did not receive the services they had expected (for example, training and grants). **Zanzibar** stood out with very few groups registered, and the **registration process was perceived to be more lengthy, costly, and bureaucratic** compared to the mainland.

Implementing Programmes

The study uncovered generally **positive attitudes towards banks**, although the attitudes of members towards their SGs tended to be even more positive. Group members were asked their preferences among types of institutions for various services and functions: they preferred FSPs for security and long-term savings, but preferred their SGs for everything else, including convenience, the respect they receive, ability to get a loan when they needed it, affordability, and help in times of emergency. Members of groups without bank accounts were asked why they did not have one. Most mentioned the nature of their group—for example, it is too young or too small—and many said they were planning to open an account. Very few mentioned issues with distance to the nearest bank branch or agent, or the cost of bank charges, although in the FGDs, some members did express these concerns. Even members who complained about banks wanted bank accounts because of the additional security.

The study also tried to ascertain the **best entry points to SGs**, and concluded that no one entry point will reach all groups. Groups that appear on the roster of an apex organisation might not even know the organisation; rather, their loyalty is to their trainer and the person who initiated the group. Conversely, an NGO might not be able to locate many of the groups that appear in its database. When asked for their most trusted source of information, members overwhelmingly mentioned radio and (where available) television. Government, churches, billboards, and posters were far down the list of preferred ways to obtain information.

² Data from the FinScope Tanzania 2013 and 2017 studies.

Conclusion

Drawing on the above findings, the study ends with the following conclusions:

Products and services

1. The SG sector is large in Tanzania and has grown rapidly over the past four years. It is remarkably diverse and will require flexible financial products. The provision of group savings accounts should be the first priority, as members are concerned about safety of their funds, and security is the principal reason why groups open accounts.
2. FSPs might want to investigate the apparent success of the *kijumbe* ROSCAs; there is a strong demand for mechanisms that allow accumulating lump sums from small but frequent contributions. FSPs could compare the experience of the *susu* collectors in Ghana who provide a similar service, but work as agents for FSPs.
3. The widespread social protection offered by groups, and the absence from the study of any groups participating in an external insurance scheme, show the importance of insurance in the lives of members but leave it uncertain whether and how SGs constitute a market for external insurance.

Potential market

4. While one-third of members say they would like to have access to larger loans than what they can obtain within their groups, the study was unable to judge the creditworthiness of this demand, and of course FSPs should proceed with caution into the credit arena.

External factors

5. There is no single best entry point to SGs. NGOs and apex bodies can be a good way to reach groups, but their knowledge is limited to a small subset of groups. CDOs can be utilised as entry points if they have a stable relationship with the groups. Mass media, particularly radio and television, are likely to reach a greater number of SGs, and once in communication with SGs, FSPs can keep in communication through SMSs, which are widely used, including by groups who text and phone members in the course of managing group affairs.

Implementation considerations

6. In general, the study found little evidence that banks should worry about their image among SG users. On the contrary, many groups were eager to open accounts to keep their money safe. The challenge for FSPs may not be to convince groups of the desirability of a bank account, but rather to show the groups how easy it is for them to open one and use one.

Finally, here are two conclusions concerning **product development** by FSPs, both drawn from worldwide experience and echoed in some of the responses in this study. Two contradictions in client preferences need to be taken into account in product design:

7. First, group members simultaneously seek both liquidity and illiquidity; in other words, they want to be able to meet both immediate needs for cash (liquidity preference) and they want to make it difficult to access their savings, to protect them from the many urgent needs that always call to them (illiquidity preference). SGs reflect this contradiction, having both obligatory periodic savings, but also ease of borrowing.
8. The second contradiction is the need for transparency (the need to know exactly what is happening in their member-managed groups at all times), as well the desire for confidentiality (members don't always want neighbours, friends or family to know how much they have accumulated).

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The exchange of ideas and research findings with REPOA within the research project “Strategy Development for Interventions on Informal Groups” was extremely useful throughout the research process. The authorisation and introduction by the National Bureau of Statistics (NBS) to the relevant regional administrations was greatly appreciated and paved the way for excellent support in the study areas by the respective Local Government Authorities.

Most importantly, we thank the members from the informal savings groups that agreed to speak with us, providing us with the information and insights that underpin this report.

1. Introduction

Many people in Tanzania use SGs to meet some or all of their financial needs. Findings from the 2017 FinScope survey show a substantial increase in SG membership since the previous study in 2013, which grew in parallel with increased uptake of formal financial services. SGs have received increased attention from different stakeholders.³ Civil society organisations regard informal groups as entry points for information and education, with resultant positive effects on gender equality, income, and poverty reduction, and promoters of financial inclusion recognise them for the financial services they bring to their members (also often seeing them as possible entry points to formal financial inclusion).

FSPs participating in the SatF programme all regard SGs and their members as potential clients and are keen to understand this market segment better; at the same time, supporters of SGs want to make sure that commercial relationships with FSPs are beneficial to the groups. This study was designed to provide insights on SGs in Tanzania and the appropriateness of commercial relationships across the diverse range of informal groups and their members. It was commissioned by SatF and FSDT for that reason.

SatF is a five-and-a-half-year partnership between MCF and OPM. Its aim is to develop innovative and sustainable business models for linking SGs with FSPs and it is being implemented in three countries: Ghana, Tanzania, and Zambia. Through the programme, selected FSPs will receive financial and technical support to help them develop and roll out business models to advance SatF's objectives. FSDT works to deepen financial inclusion, ranging from informal to formal financial services, and is a financial market facilitator. FSDT regards SG promotion as one way to increase financial inclusion and thus supports initiatives which facilitate the reach and depth of SGs. Both SatF and FSDT want to promote the use of research findings to drive innovation and product development in the financial sector, at the same time making sure that the social cohesion and benefits of SGs are not lost or diminished. The study was conducted between June and December 2017 by the research consultancy DPC in Tanzania in collaboration with SG expert Paul Rippey (of Savings Revolution).⁴

1.1. Objective

The objective of the study was to explore the needs, preferences, and usage of financial services by SGs and their members in Tanzania, and to identify the potential for sustainable, mutually beneficial commercial relations between SGs (and their members) and FSPs. A key audience for this study is FSPs, but it is of course hoped that the study findings will also be useful for other stakeholders, including national and international NGOs promoting SGs, apex bodies, the Tanzanian Government, and academia.

1.2. Research questions

The study focused on four broad categories of research questions.

1. **Potential market:** what are the characteristics, profiles, and practices of groups and members?
2. **Products and services:** what products and services do groups and members use, and what would they like to have that they are not currently getting?
3. **External factors:** what factors beyond the groups and FSPs are likely to affect potential commercial relations (such as registration requirements and other government directives)?
4. **Implementation:** how are FSPs perceived, what are the roles of apex bodies and NGOs, and what are the entry points to the groups available for FSPs?

³ The Tanzanian Government, for example, has issued guidelines to local government authorities on how they should engage with informal groups (which the government refers to as Community Financial Groups (CFGs)). CFGs constitute a category in the new Microfinance Policy (2017).

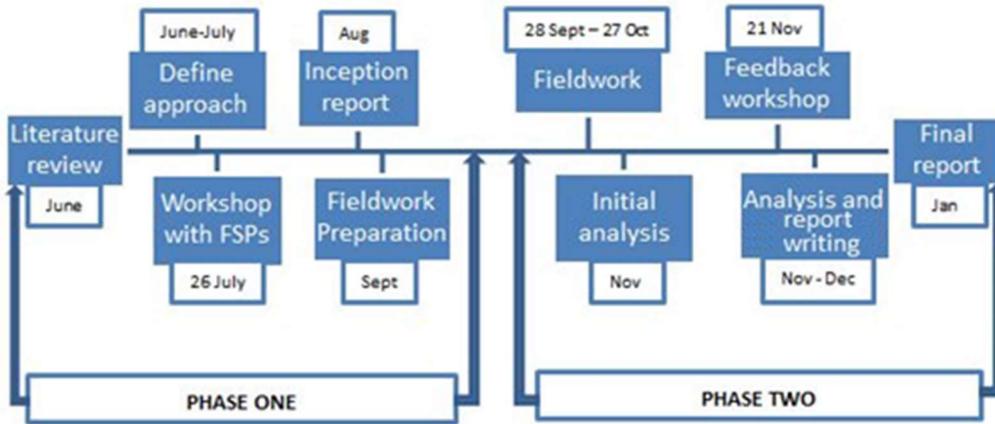
⁴ Paul is also a member of the Advisory Committee of SatF.

The final research questions were arrived at through an iterative approach. The original proposed list incorporated reflections from the contracted research team; it was refined further after the literature review conducted in Phase 1 of the research; and it finally included questions raised at a workshop held with FSP representatives in July 2017. The full list of questions the study sought to address is presented in Annex A.

2. Methodology and timeline

The study was undertaken between June and December 2017, divided into two phases and the following steps:

Figure 1. Research steps

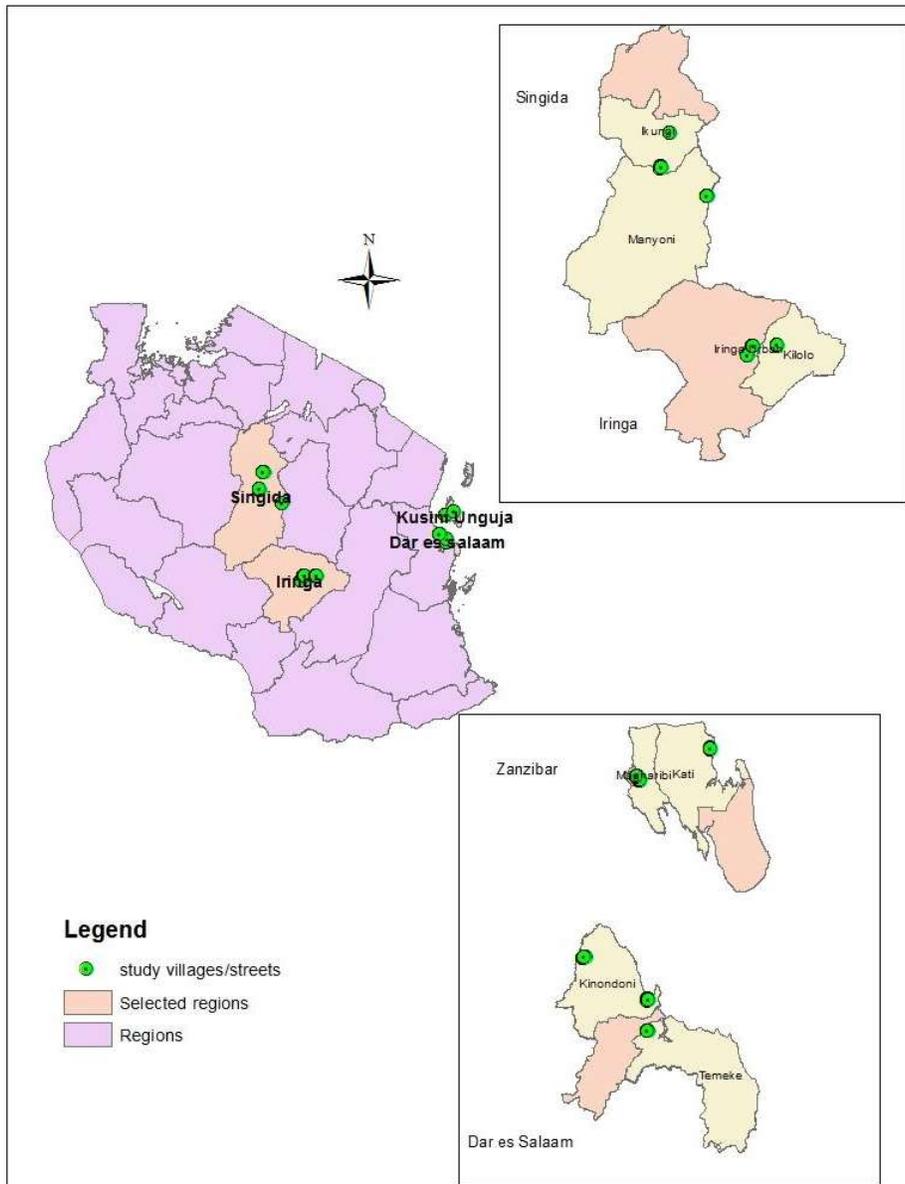


2.1. Regions surveyed

Along with OPM and FSDT, the research team decided that the research would be conducted in four regions, including two districts in each region: Dar es Salaam, Singida, Iringa, and Unguja (Zanzibar). Three locations (villages or wards) were selected in each region, comprising a total of six urban and six rural locations.⁵ The map below shows the selected sites. The choices were validated by the partner FSPs during the July workshop.

⁵ In Dar es Salaam, some wards (including Mabwepande) that were selected for the study are defined as rural by the district authorities despite their dense population.

Figure 2. Research areas



Characteristics of the four regions and the rationale for their selection were:

Dar es Salaam (Kinondoni and Temeke municipalities)

- Dar es Salaam is the most urban region in the country, with a high degree of formal financial inclusion and financial access points.
- Most FSPs have their head offices and retail outlets in Dar es Salaam, which makes formal services relatively accessible.

Singida (Manyoni and Ikungi districts)

- Singida is one the poorest regions in Tanzania, with limited accessibility in terms of transport.

- This is a highly excluded region in terms of formal financial services. FinScope Tanzania 2013 ranked it second to last out of 19 regions,⁶ with only Zanzibar being less included.
 - Implementing the study in Singida and Zanzibar provided a contrast with more included regions, and revealed the kinds of savings mechanisms being used and their constraints.

Iringa (Kilolo district and Iringa municipality)

- This agricultural region is considered part of the 'breadbasket of Tanzania'. Iringa is located within the Southern Agricultural Growth Corridor of Tanzania, an agricultural development programme engaging numerous public and private sector partner organisations.
- The presence of various external interventions may be influencing the savings behaviour of the beneficiary communities and their interest in FSPs.

Zanzibar (Unguja–Mjini Magharibi and Wilaya ya Kati)

- Zanzibar, like Singida, is among the most financially excluded regions in the country based on FinScope 2013,⁷ with a low uptake of formal services.
- Zanzibar helps us understand the influence of Islamic culture and religion on savings needs and demands. The Sharia prohibition against charging interest is widely considered to apply to informal groups as well as to FSPs.

2.2. Preparation and implementation

DPC recruited eight experienced enumerators (four women and four men) and provided them with two days of training on the research instruments and protocols. After training, enumerators were divided into two teams, each with a DPC supervisor (both female). After the training, DPC piloted the instruments over two days in Temeke District in Dar es Salaam, and then held feedback sessions and refined the instruments.

DPC obtained authorisation from the relevant authorities, which involved obtaining a clearance from the National Bureau of Statistics for Tanzania Mainland and the Office of the Chief Government Statistician in Zanzibar. The district authority provided guidance on which wards and villages to visit, and gave the teams letters of introduction. Finally, the interviewers discussed the survey with village and street leaders, who were instrumental in identifying the boundaries of the survey areas.

2.3. Sampling and research instruments

The survey teams asked the local authorities in each area to direct the enumerators to villages or wards which were safe, reasonably accessible, and where the teams were likely to find SG members. In each survey area, the researchers counted the HHs and were told to interview each Nth HH, with N being chosen so that the sample would be large enough to meet the target number of individual interviews in the village or 'street'/*mtaa*.⁸

Data was collected using four instruments (copies of the instruments are in Annexes C–H).

1. **Screener:** a short interview was administered to any available adult (16 or older) in every HH in the sample. The screener captured the number of people in the HH and their participation in SGs. It also classified the types of groups of which they were members. Where there was more than one member, the screener contained a Kish Grid which enabled the selection of one respondent at random.

⁶ At the time of the workshop with the FSPs in July 2017, the FinScope 2017 data was not yet available, which is why the 2013 data was used. When FinScope 2017 was released, Singida was still highly financially excluded, and financial inclusion there had decreased from 45.8% to 41%.

⁷ At the time of FinScope 2013, Zanzibar was the most financially excluded region. In 2017, Zanzibar is still among the most financially excluded regions, in particular the Pemba regions (ranging from 52%–55% exclusion). Kusini Unguja and Mjini Magharibi have an exclusion rate of 32% and 31% respectively. By comparison, Dar es Salaam is only 8% excluded, and Iringa only 17%.

⁸ *Street/mtaa* is the equivalent of a village in an urban setting. A ward is the next administrative level, followed by district, and then region.

2. **HH member questionnaire:** following the screener, one member of the HH who was a member of an SG was interviewed using the household member questionnaire. The questionnaire captured information about the history and procedures of the member's SG, the products and services used, the products and services they would like from FSPs, whether the group was registered by government authorities, and whether the group had any relationship with NGOs and apex bodies. The questionnaire also collected information allowing us to classify the member's group by cash flow, queried the respondent on mobile phone use, and asked about their preferred and trusted communication channels. Some basic information was collected by both the screener and the HH member questionnaires; in those cases, we present the screener information because the screener sample is significantly larger.
3. **FGD guide:** some of those interviewed in the HH member questionnaire were also invited to participate in a FGD with about six other members of their group. The selection of participants was undertaken in consultation with group leaders who were asked to invite members who varied in gender, age, and activities. The FGDs allowed participants to share deeper insights about some of the elements covered by the HH interviews. The FGDs were recorded and transcribed for analysis after the field work was completed.
4. **Group chairperson questionnaire:** this questionnaire was administered to the chairperson of the group that had been selected for the FGD. The questionnaire covered group formation, operations, products and services, registration, and affiliation. The aim was to get a deeper understanding of the group and to compare the level of knowledge of ordinary members and leaders about group operations.
5. **CDO questionnaire:**⁹ this included questions about registration and interaction with the groups at the ward level.
6. **KII guide:** KIIs were conducted parallel to the field work with particularly well-informed people to triangulate the information from the other sources. This included representatives of NGOs, apex organisations, and trainers. A list of key informants is provided in Annex B. These interviews were recorded and transcribed for analysis after the field work was completed.

Field work was conducted from 28 September to 27 October 2017. The data was captured electronically on tablets using Open Data Kit software and sent to the DPC office daily for verification and cleaning. The field teams achieved the following sample:

Table 1. Study sample

| Administered instruments | Dar es Salaam | Iringa | Zanzibar | Singida | Total |
|-------------------------------------|---------------|--------|----------|---------|-------|
| FGDs | 6 | 6 | 6 | 6 | 24 |
| KIIs with CDOs/cooperative officers | 2 | 3 | 2 | 3 | 10 |
| KIIs with group chairpersons | 5 | 6 | 6 | 6 | 23 |
| KIIs with NGOs/apex bodies | 3 | 2 | 1 | 0 | 6 |
| Member interviews | 54 | 54 | 54 | 54 | 216 |
| Screener interviews | 127 | 126 | 126 | 126 | 505* |

*From 505 administered screeners, 617 SG members were identified, of whom 216 were interviewed.

⁹ For Zanzibar, we interviewed district cooperative officers who perform the same role as the CDOs for the mainland. They are the custodians of the groups.

2.4. Survey strengths and limitations

The study methodology has some significant strengths, including:

- the sample included a wide range of known SG types because participant selection was based on a random sample of HHs. The study rejected the easier course of finding groups based on referrals, which would strongly favour the inclusion of affiliated groups;
- the combination of quantitative and qualitative methods enriched the information collected;
- reference to the recent FinScope 2017 survey data, the literature review conducted in Phase 1, and the inception and feedback workshops provided verification of the relevance and plausibility of findings;
- regular consultation with key stakeholders. The DPC team profited immensely from the close collaboration with FSDT and OPM, including their careful review of early drafts of this document. The research also benefited from the participation by one of the researchers in a microfinance sub-sector stakeholders' engagement workshop in June, organised by FSDT in collaboration with the Ministry of Finance and Planning and CARE International. DPC was invited to describe this study and received significant input from the participants; and
- after the field work was completed, a second consultative workshop was held with a larger group to guide the analysis of the data. Conducting the research with FSDT was also useful for the team to understand what other research was taking place on this topic in Tanzania, and thus allowed the team to ensure that we were addressing gaps in knowledge.

The reader should also be aware of the following limitations:

- the **sample size** for various respondents (as indicated in Table 1) is large enough to give a reasonably reliable picture of informal SGs in the areas surveyed, but it was not intended to produce a high degree of statistical confidence. The more granular the information one tries to extract from the study's data base, the less reliable it becomes;
- **geographic limitations:** the field teams only visited four regions, and although the two districts within each region were chosen to be as representative as possible of the region in terms of urban and rural, the villages and wards were selected with the specific purpose of finding groups. While the study has information on the prevalence of different categories of groups within the sample, it did not capture the prevalence of groups in relation to the total adult population in the study area. This study should be read along with other data sources, particularly the FinScope survey 2017. Note that we commissioned analysis of FinScope data disaggregating the four regions in this study;
- the **relatively short time** allotted to the field work, combined with unexpected delays in processing research permits and authorisation letters, and the more predictable heavy rains, led the team to adopt sampling procedures that introduced some known biases into the study. To manage the workload, as well as to ensure security in some sites, the field team only conducted interviews during the day, and did not conduct call-backs in those cases where a group member was identified but was not available. These two practices probably led to over-sampling of women, as they are more likely than men to be found either at home or doing business in the vicinity;

3. Understanding SGs in Tanzania

3.1. Background

Tanzania, like most African countries, has a rich tradition of SGs. Their simplicity and informality mean that, in most cases, they are not easy to count or assess: a dozen or fewer people can come together to create a ROSCA or ASCA, and no one outside the membership even needs to know that it exists. The members are likely to want to keep a low profile to reduce risks of interference from family members, thieves, and authorities. Nonetheless, SGs are receiving increasing interest, for at least four reasons:

1. the interest in promoting financial inclusion has led governments, donors and NGOs to assess how well the various SGs are already meeting the needs of their members, and identify any gaps that exist;
2. SGs, particularly facilitated distributing ASCAs, have come to be seen as a potentially large market for FSPs, which hope to capture some of the funds and transactions of the groups and in exchange provide services the groups cannot provide themselves: better security, long-term savings, larger and longer-term loans, and other financial products such as transfers and insurance;
3. at the same time as the uptake of formal financial services has increased, so has the membership of informal SGs. Much of this growth is spontaneous, driven by the members themselves, and this strongly suggests that SGs offer something that is not now available through FSPs. FSPs are eager to learn more about that secret ingredient; and
4. FSPs, central monetary authorities, and donors have realised that SGs harbour a great deal of money. For instance, it has been estimated that there is as much as US \$30 million saved in SGs alone in Tanzania, Kenya, Uganda, and Rwanda (Rippey, 2017a). FSPs understandably are interested in that money, while for SatF and FSDT it is important to make sure that any relationships between SGs and FSPs are not exploitive and based on business models with mutual benefits.

3.2. Secondary sources

To reveal knowledge gaps in relation to needs, preferences and usage of financial services by groups and their members, a literature review was conducted during Phase 1 of the research. The literature review focused in particular on the extent and growth of SGs in Tanzania and commercial relationships between SGs and FSPs. In this section, we present some of the findings about the sector, drawn from what we found were the most relevant sources. These include FinScope Tanzania and four other publications: 1) 'Assessment of Informal Financial Groups' (DAI, 2015), 2) 'Evidence mapping on ISMs' (Resch, 2017), 3) *SGs and FSP linkages* (Muruka & Leonard, 2016), and 4) the SAVIX, which is a database providing information on the number, training and financial performance of SGs formed by participating implementers across the world, including in Tanzania (SAVIX, 2017).

The studies that were reviewed provided a good indication of the nature and growth of the SG sector in Tanzania. However, while all sources indicate significant numbers of people belonging to SGs, comparison of different sources shows quite different results, due to definitional issues and to the different ways that data are gathered, variations in sampling procedures, and definitions of key terms.

The FinScope 2013 and 2017 surveys are points of reference for outreach measurement because they are robust, nationally representative, and use a consistent methodology. A substantial section of the FinScope questionnaire is dedicated to SGs. The selection of regions for our study was partly informed by the FinScope 2013 Survey (FSDT, 2013). At the time of the research, the FinScope 2017 survey (FSDT, 2017) was underway. One of the interesting findings in FinScope is that the percentage of the adult population (in FinScope defined as 16 and above), has increased from 12% to 16% between 2013 and 2017, while the increase in absolute terms was 1.5 million, up from 2.9 to 4.4 million members. FinScope divided informal financial services into SGs; informal money lenders; and shop and supply chain credit.

The increase in SGs happened in parallel with an increase in uptake of formal financial services. Commercial bank utilisation increased from 14% to 17% and mobile money services from 50% to 60%. FinScope reveals a

significant overlap of usage of informal mechanisms, banks and non-bank formal services. Of the adult population, 7% used all three categories in 2013. This remained at 7% in 2017, which was an absolute increase of 200,000 people due to population increase (FSDT, 2013 and 2017).

The SAVIX¹⁰ database with information about SGs is managed by Hugh Allen, a prominent programme designer and trainer of trainers of SGs. By SGs, SAVIX means the narrow sense of facilitated distributing ASCAs only. That is, it consolidates the reported numbers trained by participating local and international NGOs that are forming time-bound ASCAs. SAVIX was designed for project reporting to a donor, and so it gives information on the total number of people ever trained. It cannot take into account people who leave their groups through choice or circumstances, or groups that break up. It also does not take into account the substantial number of people who join groups after they are trained.

The SAVIX is also not intended to control for multiple memberships, nor does it contain data about the large number of groups that are formed by trainers post-project, or through peer-to-peer training by groups and individuals. However, these various limitations offset each other to some extent, with some exaggerating the number of members, and others leading to under-reporting. SAVIX¹¹ showed 750,352 members in 32,907 SGs in Tanzania, which corresponds to 2.7% of the adult population (aged 16 years and above) of 27.8 million. It should also be pointed out that the SAVIX contains sophisticated tools for drilling down into its data, so that one can obtain information by agency, type of group, year formed, kind of trainer, and many other variables. It is free and easy to use.

As a service to the SG sector, Hugh Allen also keeps and occasionally circulates an informal count of the numbers of people trained. This includes a number of agencies who share information with him but choose not to participate in SAVIX. This tally gives higher numbers of SGs and members: in the most recent version available (February 2017) (see Annex I), Allen reports 1,291,590 SG members in Tanzania, with the largest numbers reported by CARE, the Aga Khan Foundation (AKF), the Catholic Relief Service (CRS), Plan, Pact, and World Vision (in descending order). It should be noted that these numbers are subject to the same limitations as the SAVIX numbers, and are reported perhaps more informally than the numbers shown on SAVIX. The penetration of these known SGs was 4.6% of the adult population.

FSDT and the Bank of Tanzania (BoT) commissioned the study 'Assessment of Informal Financial Groups in Tanzania' (DAI, 2015). This study included all types of informal groups. In all 11 regions visited, the most common types of group found were the *kuzikana* (funeral society) and *Upatu* (ROSCA). Our study found large numbers of ROSCAs, but no groups that defined themselves as *kuzikana*. An interesting finding in the DAI study was that 55% of the members claimed to belong to more than one SG. There is evidence that SGs continue to build both their savings and credit portfolios over time but many groups struggle with a lack of liquidity, especially at the beginning of a cycle.

Bankable Frontier Associates, in 'SG Linkages—The Business Case for Private Service Providers' (2010), examined risks and risk mitigation strategies in relations between FSPs and SGs. The paper asserts that extending credit to a group on the basis of shared liability places undue strain on members, who may be less capable of managing the additional financial burden if other members default on an external line of credit. SG to bank linkages should begin with deposit opportunities and credit should only be added gradually and cautiously as the effects on SG members are better understood, and if those effects are positive. Despite challenges of sustainability, the paper acknowledges the role of promoters such as NGOs and international NGOs (INGOs) in bringing groups and FSPs together.

Muruka and Leonard (2016) found that SG members valued their membership and participation because of the flexibility of the SGs, the ease and reliability of accessing funds, and other opportunities such as the possibility of receiving local government support. Muruka and Leonard further found that mobile money and mobile banking hold great promise, but to date uptake has been slowed by network constraints, high fees, and fear of losing money during transactions. Although many members have active mobile money accounts, few (34%) were actually using them (DAI, 2015). However, it has been argued that digital payments will be key to reducing costs to the point where the small transactions of SGs can add up to acceptable revenue for the FSPs (Resch, 2017).

¹⁰ <http://www.thesavix.org/>

¹¹ The database at <http://www.thesavix.org/> was consulted 30 November 2017.

4. Findings

The following sections present the findings from the study, arranged in the following order:

- first, a description of the SG sector, referred to here as the **potential market**, as the sector constitutes a market for product and services offered by FSPs;
- second, a presentation of the **products and services** that group members report they need or want;
- third, a treatment of **external factors** that could affect the ability of groups to open accounts with FSPs, in particular but not limited to registration requirements; and
- fourth, the **implementation section**, which presents what was learned about the issues that will help or impede implementation of marketing efforts by FSPs to SGs.

4.1. Potential market

This section includes questions that sought to determine the characteristics of SGs: how they should be categorised and how many there are of each type; how much money they collect and manage (the cash flow); the risks they face; the organisations with which they are allied; the formal financial products they might want; and the types of people who are members of each.

4.1.1. Typology of SGs

One of the first tasks of the research was to '*Establish and test a typology of SGs with concise definitions of each*'. This task took place against a background of a large number of names for groups in both Kiswahili and English, with categories that are often either not clear or overlapping. We chose whether the groups accumulated funds as the primary category, and added other characteristics as sub-categories, as follows:

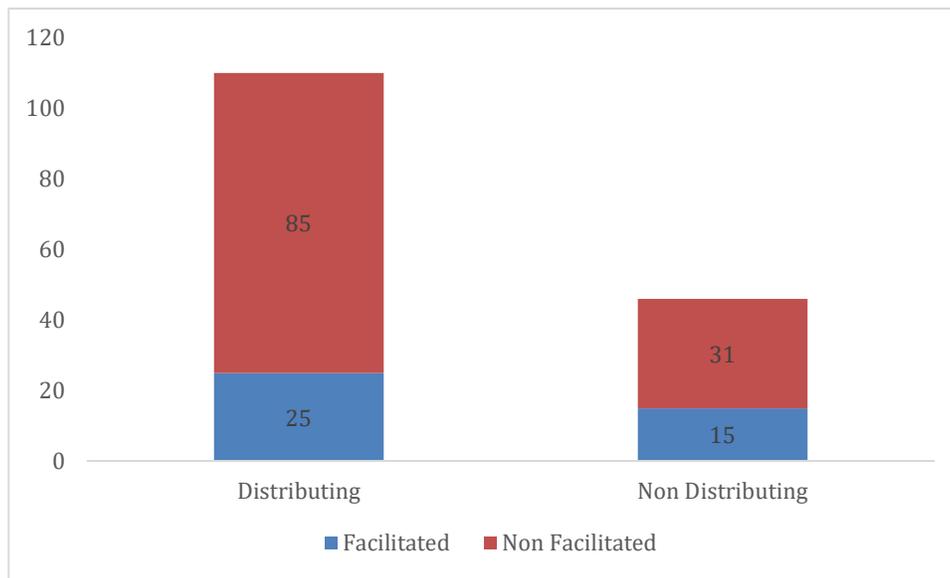
Table 2. Typology of SGs

| Popular names | Whether accumulating | Periodicity | Origin |
|--|---|---|---|
| VSLAs (CARE, Plan) | Accumulating groups that collect savings from all members at regular, often weekly, meetings, and build up a fund used for lending to members | Distributing or time-bound: At the end of a 'cycle', usually one year, all the savings and accumulated interest is returned to the members, who may choose to begin a new cycle | Facilitated (or engineered): receiving assistance from a professional trainer, an NGO, or an apex body at the time of the interview |
| VSLAs (AKF) | | | |
| VICOBAs | | | |
| SILC (CRS) group | | Non-distributing or indefinite distribution period: like distributing ASCAs, except that funds are not returned to members, but instead build up indefinitely | Non-facilitated |
| Other facilitated; other partner | | | |
| Spin-offs, hybrids, and traditional groups | | | |
| Funeral society (accumulating <i>kuzikana</i>) | | | |
| Traditional ASCA | Time-bound or indefinite | Non-facilitated | |
| Cash only ROSCA (<i>Upatu</i> or <i>Mchezo</i>) | | | |
| Collecting-distributing <i>kuzikana</i> | | | |
| Mixed or in-kind | | | |

These categories cover the universe of groups, but in practice were sometimes difficult to apply:

- five out of eight ROSCAs in which we held FGDs were hybrids, managed by a *kijumbe*. While they define themselves as ROSCAs, they have particular ways of functioning, described below;
- some ROSCAs also accumulated money for other purposes, similar to an ASCA;
- some ASCAs said they had not yet decided whether they were going to distribute, which made it difficult to classify them as distributing or non-distributing; and
- other ASCAs had a ROSCA as a side activity for some members.

Figure 3: Distribution of facilitated and non-facilitated ASCAs group members (Member Q B3b1 and B3b3, n=158)



In the ambiguous cases, we asked respondents to classify themselves in the category that best defined their group.

Facilitation

We defined 'facilitated' as 'groups that receive coaching from a formal trainer, or oversight from an NGO or apex body'.

During the membership questionnaire, 27% of ASCA members classified their groups as facilitated. This percentage contrasts with information from other sources, in part because these sources use different definitions: the SAVIX reports only on facilitated groups, which means that the percentage facilitated is shown as 100%, and of course the INGOs usually report only on groups that they have trained themselves, so again, their percentage of facilitated groups is 100%. There is also often no clear line between facilitated and non-facilitated: as they mature, groups no longer need regular training, but still appreciate the occasional presence of their trainer to coach them through problems, or help with share-out; again, we asked respondents to say which category best fit their group.

Conversely, the FinScope study found that only 3% of groups were formed by an NGO. The apparent discrepancy between our findings and those of FinScope is explained partly by the wording in the FinScope questionnaire: when asking if an agency had formed their groups, they added 'such as CARE and Plan', and as an example of non-facilitated groups, they mentioned 'VICOBAs'—unfortunately an ambiguous term, since some VICOBA groups are facilitated, while many non-facilitated groups also use 'VICOBA' as a generic term.

In general, drawing a clear line between facilitated and non-facilitated groups is difficult: trainers who had previously worked for an NGO continue to form new groups post-project; many members know their trainer but may not realise that there is an organisation behind them; and facilitated groups take it upon themselves to form new groups. The influence of the NGOs goes beyond the simple number of facilitated groups; a large number of the non-facilitated groups are, if not the children of NGOs, then their grandchildren.

The mystery of the missing *kuzikana*

The DAI study found funeral societies, or *kuzikana*, to be the 'largest group type in terms of membership by a wide margin', because funeral societies on average were very large. However, we did not encounter any of the large dedicated *kuzikana* found by the earlier study. Rather, we found that the *kuzikana* concept had spread, but

not through dedicated groups: 79% of the groups of all types that we encountered had some form of social fund for the unexpected needs of their members, including but not limited to funerals. Of course, one of the reasons for this discrepancy may simply be that dedicated *kuzikana* groups are not prevalent in the areas visited by our study, although they may be common in other areas.

***Kijumbe* ROSCAs**

Out of the eight ROSCAs that took part in FGDs, five were run by a *kijumbe* (Kiswahili for 'message'). Her role (all were women in our sample) is to collect the savings of all the members and manage the distribution, in exchange for a fee collected out of those savings. The *kijumbe* members do not know all the other members since they do not meet as a group, and they do not see all the money collected. There are, therefore, some obvious departures from usual ROSCA functioning.

We selected a *kijumbe*, the one who collects and gives money to the person whose turn has come to receive the money. If the *kijumbe* hasn't come along to collect the money, we go to her home and give her the money and she records it. (Member, *kijumbe* ROSCA, Dar es Salaam)¹²

One interviewed *kijumbe* collected TZS 2,000 every two days and had 52 members, so every 'name has shared out once every 104 days' (some members choose to have more than one 'name', so they contribute more but also receive more than if they had a single name).

Our understanding of the functioning of the *kijumbe* is based on descriptions by members and the *kijumbes* themselves. We saw no written records; they are said to do some investment business and will make loans to members who need it, with interest. It is easily imaginable that the *kijumbe* could, for instance, delay everyone's payment by two days, or understate the amount to be paid out, or in other ways manipulate the system to her advantage. There is no reason to think this is true, other than that the temptation must be present for someone handling large sums of cash in a group where the members have no visibility of, or control over, how it is being managed.

In any case, satisfaction with the *kijumbe* is high (although with the notable exception of a member who thought the group was destined to fail because of lack of trust), and shows how much members value a commitment savings plan that forces them to save frequently so they can get periodic cash pay-outs.

4.1.2. Distribution and characteristics of SGs

This section looks at other characteristics of SGs, including their prevalence in different areas, their gender make-up, and the presence (or absence) of a social fund.

From 617 screened members, 51% belong to distributing ASCAs, 20% are members of non-distributing ASCAs,¹³ and 29% belong to ROSCAs. Table 3 shows the breakdown of groups encountered during the study. The table also shows the distribution of types of group by percentage from the FinScope Tanzania 2017 study.

¹² In this paper, indented and italicised quotations are from FGDs, unless attributed to specific people. Data is from member interviews unless otherwise noted.

¹³ Within the non-distributing ASCA category, there was an outlier group of five fishermen. They were fishing together and put away some funds for buying new nets and mending broken nets, and considered themselves as an SG.

Table 3. Comparison of study (Screener Q A10, n=617) and FinScope data: prevalence of different types of SGs

| Types of group | This study: number | This study: percentage | FinScope 2017: percentage |
|-----------------------|--------------------|------------------------|---------------------------|
| Facilitated ASCAs* | 326 | 51% | 3% |
| Non-facilitated ASCAs | 123 | 20% | 73% |
| ROSCAs | 178 | 29% | 25% |

Note that the percentage of ROSCAs in the two studies is similar; the split between facilitated and non-facilitated ASCAs appears quite different, but is due to the different definitions used by the two studies. Percentages in the FinScope column sum to more than 100% because of rounding.

ASCAs fell into four categories (facilitated and non-facilitated distributing groups; facilitated and non-facilitated non-distributing groups), as indicated in Figure 4. Distributing ASCAs periodically return the savings to the members who get a lump sum, and the 'profit' from the collected interest, in an annual share-out or distribution. The majority of members in distributing ASCAs said they preferred distribution because the lump sum that is received at the end of a cycle is a motivation to save. That motivation is not as strong in groups that accumulate indefinitely. This preference was similar across both facilitated and non-facilitated groups.

The study also found many hybrids between ROSCAs and ASCAs and between non-distributing and distributing ASCAs. One ROSCA in Iringa, for example, meets twice a month and each time they contribute TZS 5,000, which rotates. In addition, they have introduced a component of savings to be used for joint investments; they save TZS 1,000 on a weekly basis. The TZS 1,000 saved can also be used for lending with interest to group members. Some ASCAs distribute but also keep some amounts, as illustrated by the remarks of an FGD participant:

Until December, but it doesn't mean we are going to break the cycle. For example, if our savings is TZS 900,000, we divide a certain amount between each member and the balance stays as our group saving. (Member, distributing ASCA, Dar es Salaam).

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. There is general low prevalence of non-distributing ASCAs, as detailed in Table 4.

Table 4. Distribution of SGs across the regions (Screener Q A10, n=617)

| 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 | |

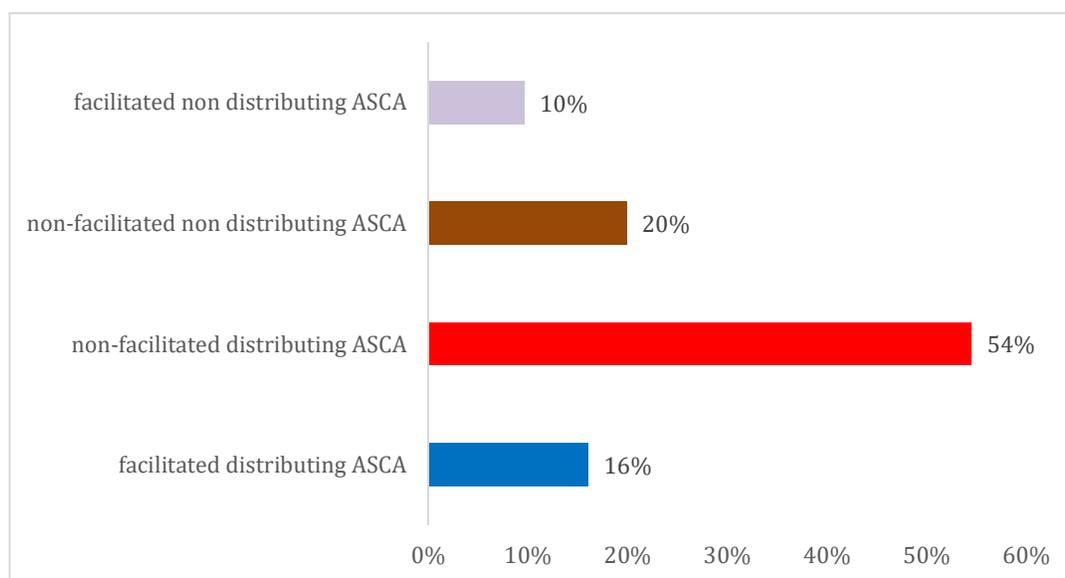
While the four regions have approximately equal distribution of the different types of SG, there are some notable outliers:

- **Iringa**, with almost nine distributing ASCAs for every non-distributing ASCA, has the highest percentage by far of distributing ASCAs among its groups, attributed to the efforts of NGOs (e.g., Empower Community Actions and the TUNAJALI programme), which have been actively forming distributing ASCAs;
- **Dar es Salaam** has a smaller percentage of distributing ASCAs and a higher percentage of ROSCAs. The NGOs that spread the idea of distributing ASCAs generally target rural areas, so people in Dar have formed their own groups. ROSCAs are much simpler to form and manage; and
- **Zanzibar** has the highest prevalence of distributing ASCA group members, which is not surprising because CARE started one of the first SG programmes in Africa there in 2001. It is also common to find groups that give loans in-kind (providing items on credit instead of cash). Instead of charging interest, which is prohibited by Islamic law, an additional amount is added, referred to as profit:

For example, if it's utensils, we buy them and we add some costs onto it. If we bought it at TZS 6,000 and you take it, it will be given to you with an additional amount added (profit). In the end you have to pay TZS 10,000, so the group makes TZS 4,000 as a profit. (Member, distributing ASCA, Zanzibar).

For comparison with the table above, which is drawn from the screener, the following figure shows the distribution of participants in the member survey, a smaller sample than the screener, by the type of group they belong to.

Figure 4. Distribution of members into four categories of ASCAs (Member Q B3b3 and B3b5, n=158)



4.1.3. Characteristics of members and group types

To get further information about group members, the survey team administered the Poverty Probability Index (PPI)¹⁴ to all the HHs who reported at least one member in an SG during the screener. The PPI is a poverty measurement tool designed to assess the probability that a group of people is living below the poverty level. When administered to a large group, the PPI is statistically-sound, yet its advantage is ease of use: it is made up of 10 questions about a HH's characteristics and asset ownership, which are scored to compute how the HH is doing compared to at various measures, including the national poverty line.

According to the World Bank, Tanzania has a rate of poverty of 28%. The sample size and the PPI methodology do not allow us to give results that are directly comparable to poverty measures from other sources; nonetheless the PPI analysis we conducted shows the population we visited appears to be better off than the average in the

¹⁴ The PPI is administered by Innovations for Poverty Action (www.poverty-action.org). Information about the PPI in Tanzania is available at <https://www.povertyindex.org/country/tanzania>.

country. This is likely due to the choice of interview areas, which were chosen in part for ease of access and safety, and this choice may have led to the poorer strata of the population being under-represented. Further comparisons were made with the PPI results obtained from the most recent FinScope study, which confirmed that the study had a much lower incidence of poverty compared to the general population. The FinScope analysis also showed that there is also a much lower incidence of poverty in Savings and Credit Cooperative Organisations (SACCOs) compared to SGs, where the poverty profile very closely mirrors that found in the general population (it must be noted that SACCOs only made up 1.4% of the total FinScope sample, compared with SGs, which made up 16.2%).

As will be seen in more detail elsewhere in this report, there is great variation both within groups and between the three principal types of groups in the amounts they save and borrow. The three tables that follow show some other differences among the members and characteristics of distributing ASCAs, non-distributing ASCAs, and ROSCAs.

The first table compares the three types of group by gender and age, and then by three indicators of modernity: whether the member has a personal bank account, a smartphone, and whether he or she uses mobile money.

Table 5. Characteristics of members (Member Q A1, A2, C19, C20, n=216)

| | 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% |

The second table compares the educational levels of members by type of group.

Table 6. Education of members (Member Q A3, n=216)

| | Member's Education (member Q A3, n=216) | | | |
|------------------------------|--|--|--|---|
| | No formal education | Some primary or primary completed | Some secondary or secondary completed | Post primary technical or university |
| Distributing ASCA | 9% | 59% | 28% | 4% |
| Non-distributing ASCA | 4% | 62% | 29% | 4% |
| ROSCA | 8% | 50% | 42% | 0% |

A third and final table looks at characteristics of the groups themselves: the size of the group, and whether they have a bank account.

Table 7. Group characteristics (Member Q B6, B28b, B40a, C1, n=216)

| Key group characteristics (member Q B6, B28b, B40a, C1 n=216) | | |
|--|-------------------|---------------------------|
| | Group size | Group bank account |
| Distributing ASCA | 27 | 37% |
| Non-distributing ASCA | 28 | 53% |
| ROSCA | 18 | 0% |

For most of these measurements, the similarities are more striking than the differences. However, some differences are informative, due in part to the origins of the different types of groups.

Distributing ASCAs are almost all descendants of international programmes that brought the SG approach to Tanzania. For various reasons, these programmes have preferentially targeted women. Non-distributing ASCAs are more mixed: some were formed by VICOBA FETA, which does not always teach its groups to distribute and some were groups that once distributed but have abandoned the practice. Some are traditional groups that have existed in African villages since long before international NGOs came and introduced their versions of community managed financial groups.

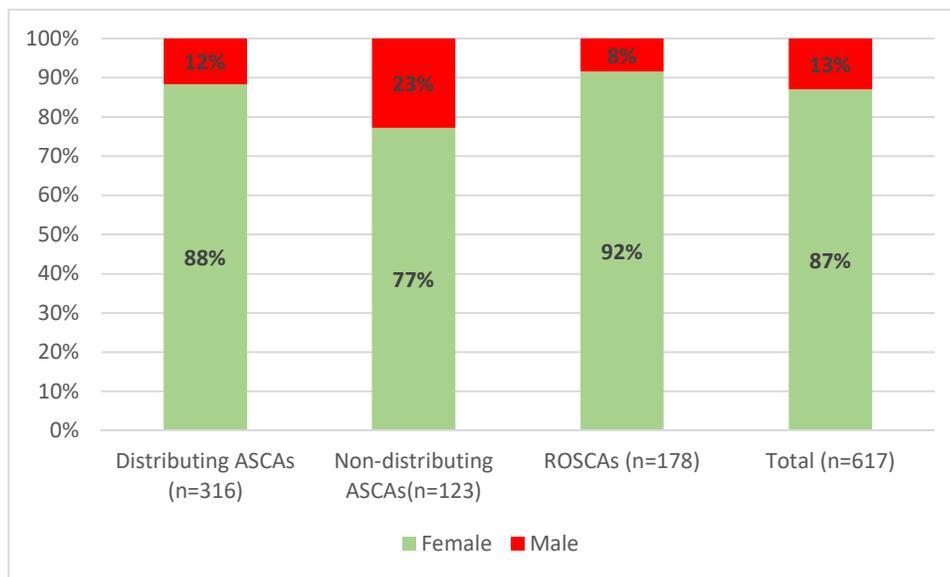
ROSCAs, on the other hand, are a completely indigenous form and have long existed in almost every country (Bouman, 1995). Information about how to run them is passed from member to member; they seldom if ever have the benefit of a trainer, and in fact their form is so simple that they do not need one.

These origins are somewhat reflected in the three tables, although, again, the differences among the types of group are not great. Non-distributing ASCA members are a bit older, and more male, which would be expected in traditional village organisations. They attract members who are better educated and more likely to use mobile money. Their durability is shown in the high percentage that have a bank account (although the percentage of *members* with bank accounts hardly varies at all by type of group). Distributing ASCA members are less educated and more likely to be women, reflecting the orientation of the NGOs that are the ancestors of many of the groups.

A second notable difference between the types of groups is their size: ROSCAs are much smaller. A likely reason for the size difference is the desire of members to facilitate and accelerate access to lump sums: after receiving money from a ROSCA, one must wait for every other member to have their turn before getting the next distribution, which mitigates against ROSCAs being too large. In ASCAs, however, members feel that the more members there are, the more money will circulate, and the easier it will be to get a loan when members want one.

As mentioned above (Section 2: Methodology and timeline), women are overrepresented in this study due to the survey methodology. The FinScope Tanzania figure of 64% women in SGs is a better measure of the gender split. Figure 5 below shows the gender split within the study sample across the three main categories of SG: distributing ASCAs, non-distributing ASCAs, and ROSCAs. As shown, a large majority (87%) of the members across all the categories are women.

Figure 5. Percentage of screened group members by gender (Screener Q A3–A38, n=617)

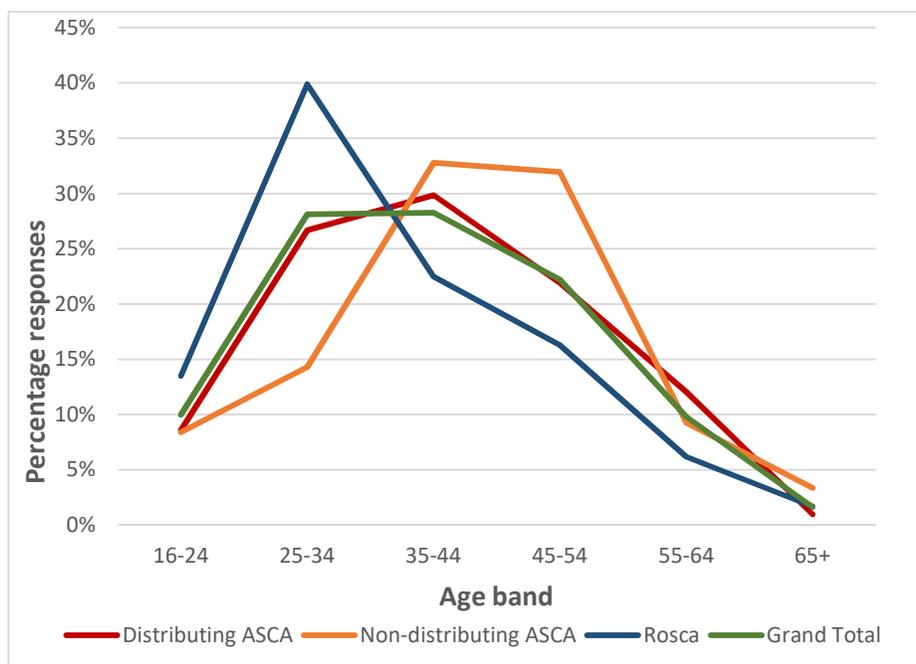


Across the group types, the participation of men was generally low, but some group types had lower participation of men than others. Proportionally, there were more male members in non-distributing ASCAs (23%) than in distributing ASCAs (12%) and ROSCAs (8%).

There is a general perception that SGs are for women, and NGOs have particularly targeted women when setting up SGs. However, this does not mean men are not interested in joining groups, as the following remark from a male FGD respondent shows:

The reason [why I joined the group] is because the group consisted of both men and women, unlike other groups, which are single sex only. This allows us to lend money to one another and also to help others with problems. (Member, distributing ASCA, Iringa)

Figure 6. Distribution of members by different age bands (Screener Q A10 and A8, n=617)



In this study, the average age of the respondents was 40. Overall, most members were within the age bands 25–34 and 35–44, with ROSCAs attracting notably younger members than the two types of ASCA.

Motivation for joining groups

The group members in Tanzania differ in their motivations for joining groups and have different personal strategies for working with the groups. Group members are distinguished not only by the answers they give to questions, but also by the content and tone of other remarks. The field supervisors were asked to classify members into subjective categories—that is, categories that an observer might instinctively understand, even if the objective criteria that define the category are not clear— and came up with the following four types:

1. **investors:** these members join groups as a way of acquiring lump sums to invest in their small businesses, which might be agricultural, manufacturing or commercial. They tend to take a new loan as soon as they have repaid a previous one, and they use both loans and their share-outs to invest in their businesses;
2. **non-specific savers:** these people feel more secure if they have savings, even if they do not know in advance whether they will use their money for emergencies, income smoothing, or even for their old age. They are risk averse and tend to take few loans;
3. **housewives:** these women depend on their husband's business for survival, although they typically supplement his income with their own small income-generating activities. When they borrow small amounts, it is often for family needs. Housewife members were most common on Zanzibar; and
4. **street traders:** these were common in Dar es Salaam, where their group helps them survive in a difficult environment. They save and borrow small amounts, both for micro-businesses and living expenses.

The subjectivity of these categories is noted, but they might be a useful starting point for conducting market research, and they do suggest the heterogeneity of informal SGs.

A final important characteristic of groups—their partnerships with apex bodies and NGOs—is discussed in Section 4.3 on external factors.

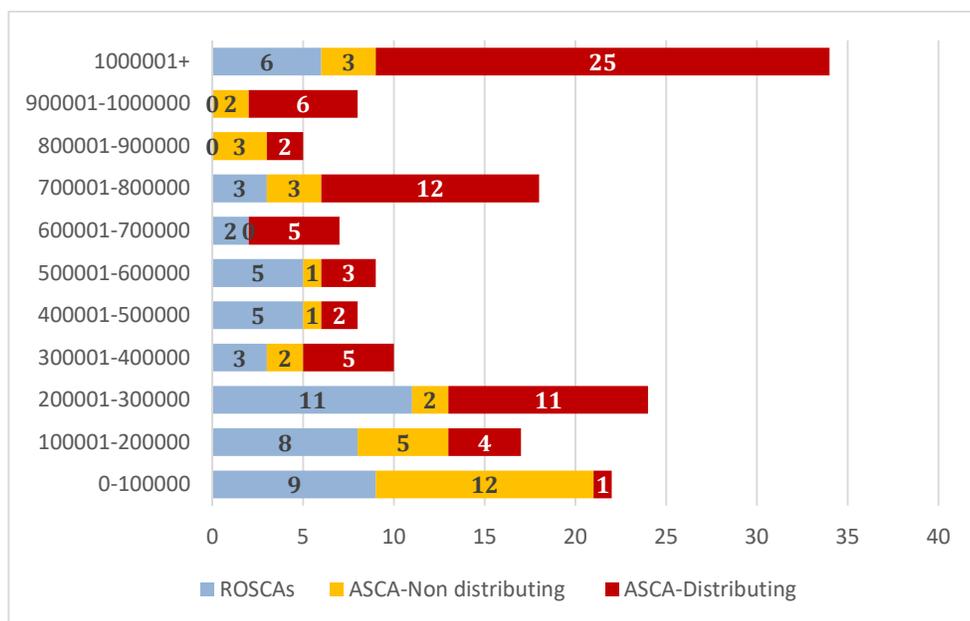
4.1.4. Cash flow

The study sought to compare the cash flow of different types of SG, but this goal raised a definitional question. ROSCAs collect funds and instantly distribute them, so that in the case of a weekly ROSCA, the same shilling might circulate several times in a month. ASCAs collect savings at every meeting, but also lend it out, and then collect the repayments of the loan with interest.

To compare these different kinds of SG, we considered the total of all flows of members' money towards the group. In the case of ROSCAs, therefore, the cash flow was defined as the total paid into the group by all the members in the course of a month. In the case of ASCAs, we used the minimum savings amount members pay in each meeting multiplied by the number of members and meeting frequency in a month.

Figure 7 shows that distributing ASCA members are strongly represented in the highest cash flow categories, and nearly absent from the smallest. However, there are also many distributing ASCAs in the lower bands, just as there are a number of ROSCAs in the upper band. Cash flow varies enormously within group type, as well as between types.

Figure 7. Savings per month across SG categories (Member Q B6–B41, n=162)



In the study sample, the presence of a bank account correlated somewhat with greater savings. We compared the reported savings of members of ASCAs (both distributing and non-distributing) with bank accounts and ASCAs without accounts, and found that members of groups with accounts saved 19% more than members of groups without.

Table 8. Correlation between presence of bank account and member savings. (Member Q B7, B10, B28c and B30)

| Correlation between presence of bank account and member savings . (Member Q B7, B10, B28c and B30) | | |
|--|---|------------------------|
| | Number able to provide information about their personal savings | Average savings (TShs) |
| ASCAs with bank accounts | 60 | 418,533 |
| ASCAs without bank accounts | 77 | 351,647 |

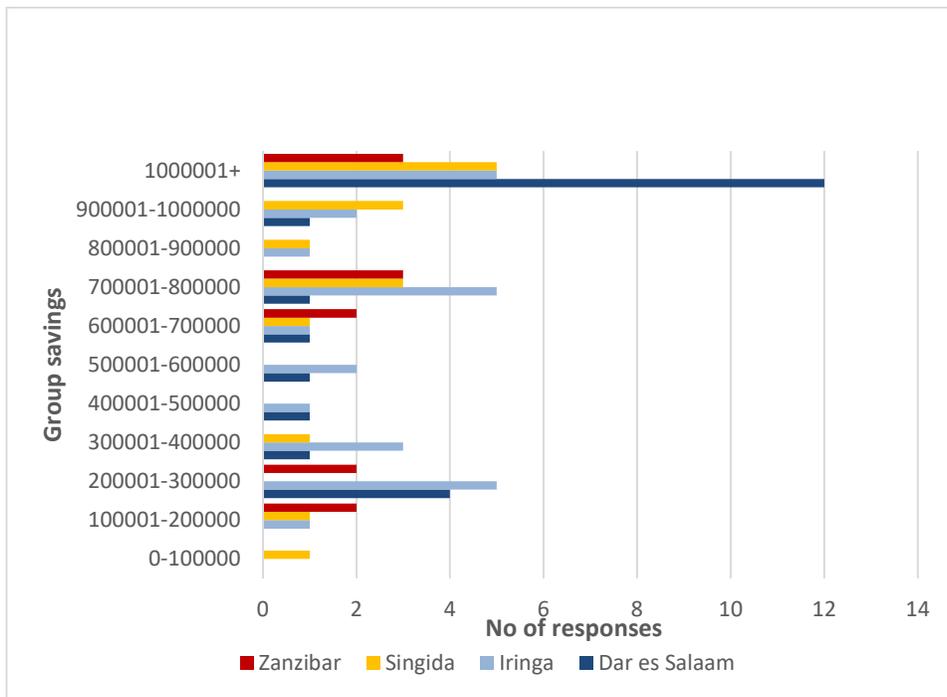
It should be noted that this correlation does not indicate causality in either direction: it is possible that the presence of an account encourages members to save more, and equally possible that groups with more savings are more likely to feel the need for an account.

We set out below a **regional analysis** on savings by type of group.

4.1.5. Distributing ASCAs

Groups in **Dar es Salaam** collect the most money, followed by Singida and Iringa. Fewer **Zanzibari** groups are in the higher savings band (above TZS 1,000,000).

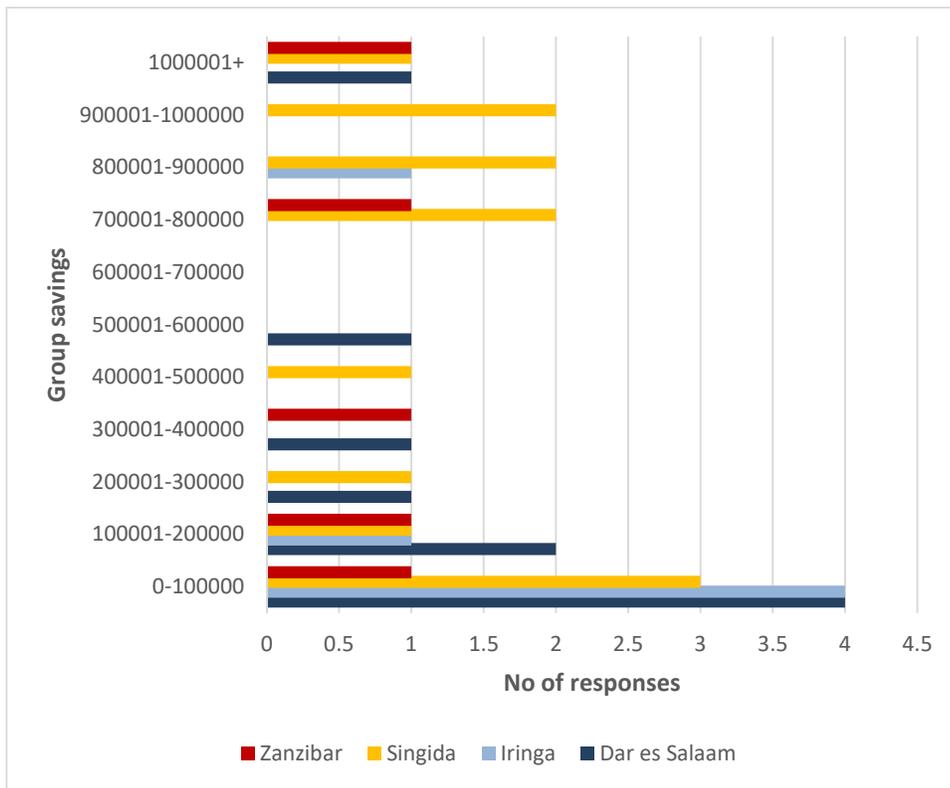
Figure 8. Group savings per month for distributing ASCAs (Member Q B6–B9, n=76)



4.1.6. Non-distributing ASCAs

There is a lower level of savings in the non-distributing ASCAs than in the distributing ASCAs in all four regions. Savings per month were mostly reported to be between TZS 0–100,000, but note that the lower cash flow does not necessarily mean lower liquidity. In principle, non-distributing ASCAs build up their assets year after year. In contrast, distributing ASCAs build up quickly, but their assets regularly plunge to zero at the end of a cycle before the members start saving again.

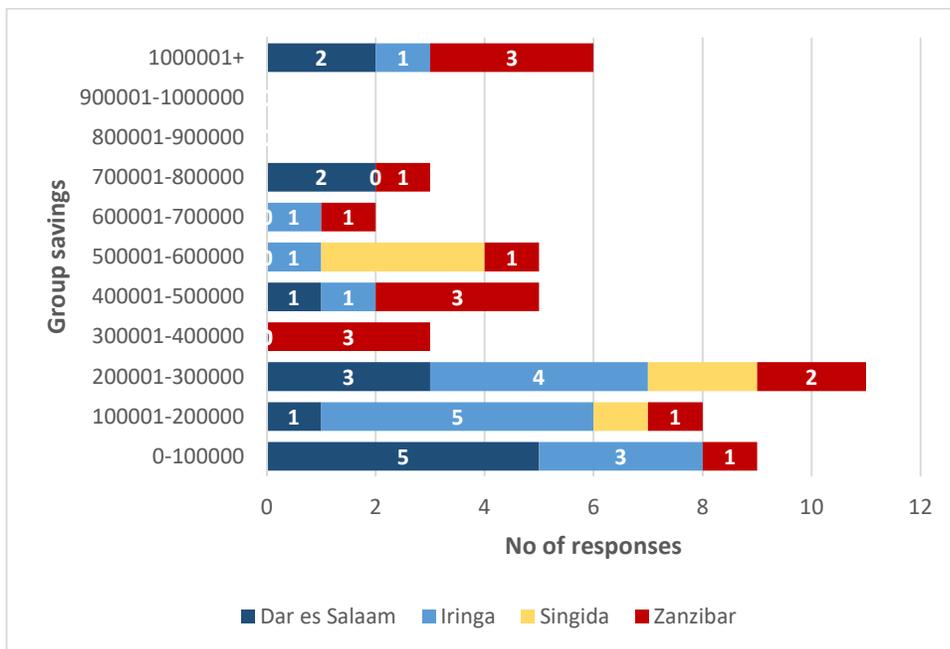
Figure 9. Group savings per month for non-distributing ASCAs (Member Q B28a–B29a, n=34)



4.1.7. ROSCAs

ROSCAs frequently accumulate between TZS 0–300,000 per month.

Figure 10. Group savings per month for ROSCAs (Member Q B40a–B41b, n=52)



4.1.8. Risk

Respondents with ASCA membership were asked if they were satisfied with the safety of the funds in their groups, and invited to explain why they gave the answer they did. Overall, most respondents were satisfied (see Table 9).

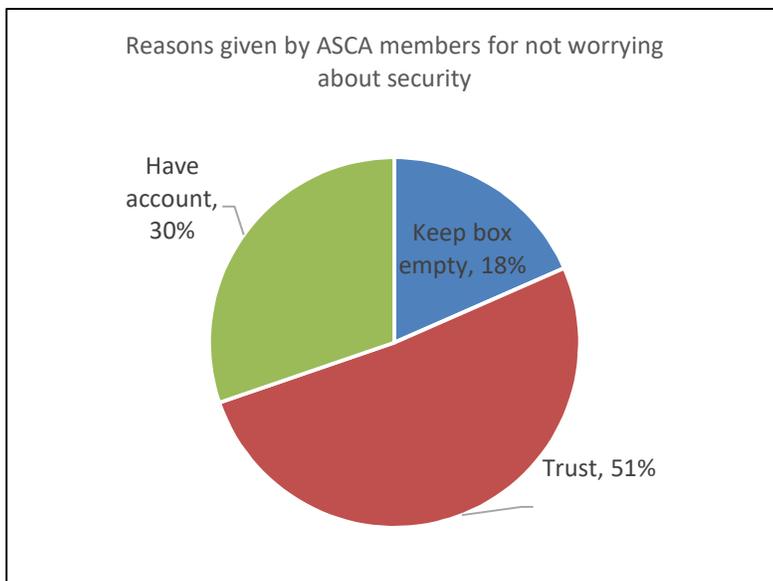
Table 9. Satisfaction with safety of funds (Member Q B26, n=109; QB39, n=43)

| | Number | Percentage |
|--------------------|------------|------------|
| Yes, satisfied | 130 | 86 |
| Somewhat satisfied | 14 | 9 |
| No, not satisfied | 8 | 5 |
| Total | 152 | 100 |

The reasons given were informative. Those who were not satisfied were worried about the security of the cash they kept in their boxes. During the member interviews, three of the 22 members who said they were 'not satisfied' or 'somewhat satisfied' with the safety of their funds (14% of the sample) said they had had money stolen:

- because last round we lost our money;
- it is a risk because our previous treasurer said all the money was stolen (TZS 3 million); and
- we lost money last year; the box keeper said the box was broken and money was stolen.

Figure 11. Reasons for not worrying about security (Member Q B27, B39a, n=76)



Among those who were satisfied with the safety of funds, their reasons fell neatly into three categories (Figure 11): those groups that kept their funds in a bank or SACCO; those that regularly lent out all their money so the box was empty; and those who trusted the group, the treasurer, and the procedures. Some respondents in the 'trust' category gave the dubious reason for confidence that nothing bad had happened to the group in the past.

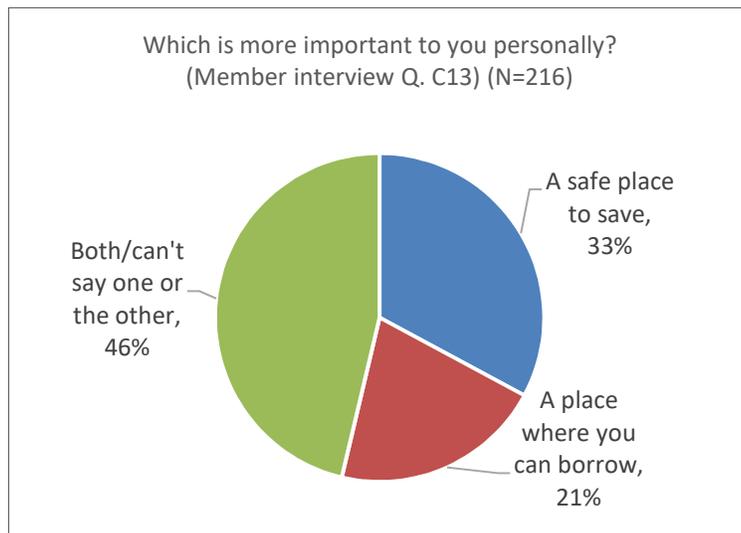
4.2. Products and services

This section looks at the types of products and services that SGs and their members say they want or need, and at those that might be potentially viable for FSPs to offer. It also explores the role of technology in providing those products and services. Finally, it considers how having a bank account might change the amounts saved by group members or change the uses and value of the annual share-out in distributing ASCAs.

4.2.1. Products and services wanted and needed by groups and members

Saving and borrowing are the main services provided by hybrid ROSCAs, and ASCAs. When asked which was more important to them (a safe place to save or a place where they could borrow), the greatest number of members said 'both'; among those who opted for one or the other, more chose savings (see Figure 12).

Figure 12. Saving versus borrowing preferences by group members (Member Q C13, n=216)



Some who said that savings was more important simply reminded the interviewer of the value of savings, as if this needed no explanation: 'it gives me confidence because I know that I have money'; 'it will help me during emergencies.'

A number of respondents were quite clear that they preferred saving because they were debt averse:

- saving has less risk than borrowing;
- because I don't like loans;
- loans cost you interest, saving has no costs; and
- I fear loans and debts.

Finally, nine of 71 spontaneously spoke of the importance of commitment savings; that is, having an SG that made it easier to save money than to withdraw it. Some illustrative remarks:

- because I will not be able to use the money;
- I am able to save my money, unlike when I keep it myself, when I will use it;
- And because I will not be able to use the money, as it will not be in my hands.

Among the respondents who said they preferred a place where they could borrow, a majority (although not all) mentioned a desire to borrow for their business. One said, 'I could use the money to solve my financial problems, such as paying school fees and medical treatment expenses'.

Finally, those who could not choose one or the other, or who insisted on the importance of both credit and savings, often spoke of the importance of both, often suggesting they went hand in hand:

- saving is good for emergencies, and loans are good for business expansion;
- because you can't get a loan without savings;
- because I can borrow through my savings when in need; and
- I will get a loan to do business and make a profit that I will save.

The study did not specifically enquire into multiple memberships; nonetheless, the FGDs provided some evidence that they exist:

The groups differ and every group has its own aims. There are those concerned with buying shares, and there are those that help in funerals. The reason I join other groups is that I am able to get more money, and also the interest rate in the other groups I've joined is low compared to our group. (Member, distributing ASCA, Iringa)

The study found that, to be able to save and lend higher amounts, some people were registering a child or children in the group. In this way, the same member could have more than one 'book' in the group.

Some respondents were also members of ROSCAs as well as members of ASCAs. The purpose of their ROSCA participation was to serve the loan in the ASCA:

It might happen you have taken a small loan on the other side, and to return it all is impossible. But if you also have a merry-go-round, it will help you, because when you get your money you go and pay to the other side. You take the other side, and when you receive this side, you go and pay on the other side. (Member, *kijumbe* ROSCA, Dar es Salaam).

Savings products

Over the years, ASCAs have evolved guidelines to assure the safety of funds and the durability of the group. One of these guidelines is to limit the amount that any member can borrow or save. The reason to limit borrowing should be clear: to avoid having any one member carrying too much risk. The borrowing limit is usually set at a multiple of the member's savings.

The rationale for a limit on saving may not be immediately obvious to those unfamiliar with savings groups. Members believe that if one person has a greatly disproportionate share of the group's total savings, then if he or she borrows the maximum, such as three times the amount of their savings, it could still be quite a dangerously large proportion of the group's total assets and could create a serious risk in case of default. Members also believe that someone with a disproportionate share of the group's assets will gain too much power over the group. Some ASCAs carry these limitations further and require all members to save the same amount.

Groups in the study largely followed these guidelines. (See Table 10.) Non-distributing ASCAs tend to allow their members less flexibility than distributing ASCAs.

Table 10. 'Do you always save the same amount?' (Member Q B12, B32 'Does the group set a maximum limit to what you can save? (B14, B34) (n=155))

| | Same amount | Upper limit |
|-------------------|-------------|-------------|
| Distributing ASCA | 48% | 65% |
| Non-distributing | 74% | 79% |

While the limits may protect the members, they are one reason why some members join more than a single group:

I am in more than one group because if you save in more than one, you will get a lot of money when you come to mix them all together, hence allowing you to perform your activities well. (Member, distributing ASCA, Singida)

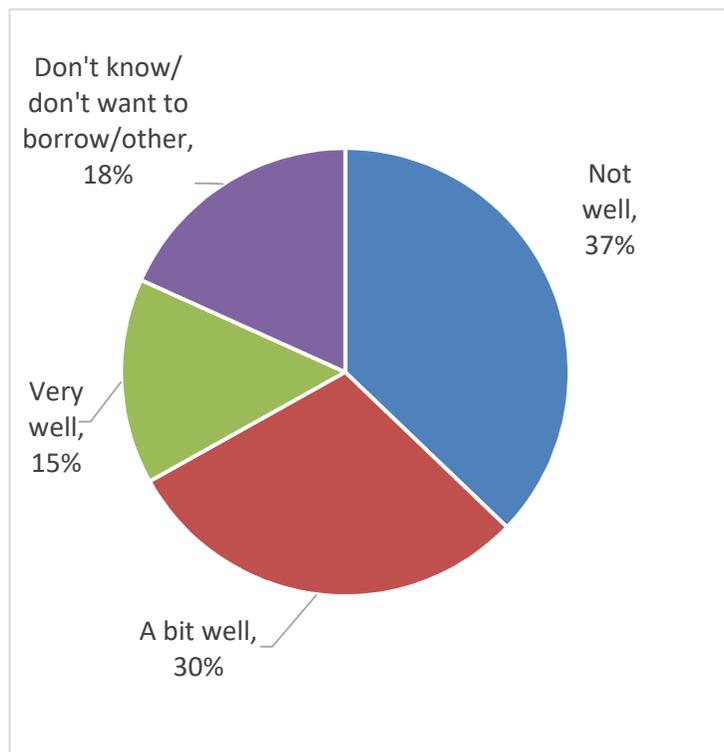
Of the distributing ASCA members, 77% said they wished they could leave some savings in the group after they have received their share-out. There is a substantial unsatisfied demand for long-term saving facilities, since groups normally return all money at share-out, zero out all the accounts, and start the new cycle. The members said they would have liked to leave on average TZS 116,000 in the group's box, with extremes of TZS 5,000–1,000,000. It should be obvious that this is a service banks might provide.

Demand for loans

ASCA members in the member survey were asked: 'Thinking about how much you personally would like to borrow and are able to pay back with interest, how well does the group meet your borrowing needs?' The results are shown in Figure 13. Over a third said their borrowing needs were not well met.

Figure 13. The extent to which members' borrowing needs are met

(Member Q B16, B36, n=148)



Further analysis helps explain this response.

Groups set their leverage ratio—the amount a member can take in relation to his or her savings—to protect the group, although there is a widely respected guideline of a 3:1 leverage; that is, one can borrow up to three times one's savings.¹⁵

¹⁵ For example, see H. Allen and M. Staehle, 'Village Savings and Loan Associations (VSLAs): Programme Guide: Field Operations Manual,' Version 3.2 April 2009, VSL Associates. The model group constitution, p. 47, states: 'The maximum amount that anyone can borrow is three times the value of their shares.'

Table 11. Allowed multiples of loans to savings in Distributing ASCAs (Member Q B15a, n=46)

| Leverage ratio | Number of groups | Percentage |
|----------------|------------------|------------|
| 1.5 | 3 | 7% |
| 2 | 16 | 35% |
| 3 | 26 | 57% |
| 4 | 1 | 2% |

Choosing a ratio obviously involves trade-offs: the lower the leverage, the less risk, because a higher percentage of each loan is covered by the member's savings. For example, if one can borrow three times one's savings, then one-third of the loan has a cash guarantee; if one can only borrow twice one's savings, then half of the loan is guaranteed. On the other hand, the higher the ratio, the more cash-hungry members will be able to satisfy their appetite for credit.

It is interesting to see the fairly conservative leverage that the groups in the survey allow (see Table 11). Over 40% of groups in the sample have leverage ratios lower than the industry norm of three to one.

This finding should be considered along with the reasons given by members for why their groups do not satisfy their desire for loans. In most cases, the explanations given shed little light: variations of 'We don't have enough money' and 'there is a limit to taking loans' were common (and uninformative) answers. However, some respondents were more analytical and pointed to three different sorts of problem, each of which has different implications for the group, and for Informal Service Providers (ISPs) that might consider lending to group members.

One category of response points to temporary issues that will be resolved in future, as these remarks from distributing ASCA members illustrate: 'The group is still new, therefore we do not have enough capital;' 'Because we have just distributed recently, we don't have enough money.' There were about six answers in this category. Small infusions of credit at the beginning of a cycle might be useful to the group, but equally might serve as a disincentive to build up the loan fund quickly by saving. A loan facility at the end of a cycle would make some sense, although most groups only experience a shortage of funds for two or three months before the share-out.

A second category of response, only clearly voiced by a single respondent, suggested problems in the group: 'Some members do not repay the loans, hence other people can't borrow.' Lending to groups in this category would be risky to the lender and would likely increase stress within the group.

A third category concerns an imbalance between savings and the desire to borrow. Typical remarks from respondents: 'The balance is too small because people don't buy many shares'; 'Insufficient shares—that is, there is not enough money'; 'We are many, and each one of us needs a loan'; and 'The amount which every member contributes is too low.'

In the best case, these last responses might come from a group of entrepreneurs with lots of good potential investments that need only cash to succeed, and this would be the best case for FSPs that wanted to lend to group members. Note however that it is equally possible that these remarks come from people living beyond their means, covering recurring costs with debt, or possibly borrowing from multiple sources and falling into a debt trap. From the responses in the survey, it is difficult to know which category the respondents fall into, and it is possible that both categories are present within the same group.

It is incumbent on any potential lender to know why groups do not have enough to satisfy all the loan demand within a group. Often, the group will have assessed the risk and made a prudent decision to limit lending, and it would be unwise and unhelpful to urge the group to do otherwise. There may be credit-worthy members in groups that have chosen to limit borrowing for good reasons.

Group entrepreneurship seems to be an activity many groups would like to pursue, as discovered in a discussion triggered by questions around the current services and future plans and services desired by the group. In 11 of

the 24 groups that participated in the FGDs, a desire was expressed to have a joint investment or group business as a way to expand their services or products. The only group enterprise encountered was a chair rental business:

Yes, we already have chairs for social events. If a person who is not a member is in need of those chairs, then that person comes to rent them and returns them after the party. When we get money, we would like to increase the number of chairs in our group. (Member, distributing ASCA with ROSCA component, Singida)

Chair rental is a common and relatively safe investment with what is apparently a sure market as long as there are weddings and funerals; importantly, also, chair rental requires little management or labour input from group members.

Of the groups, four mentioned using the group meetings as an opportunity to buy from or sell goods to fellow members.

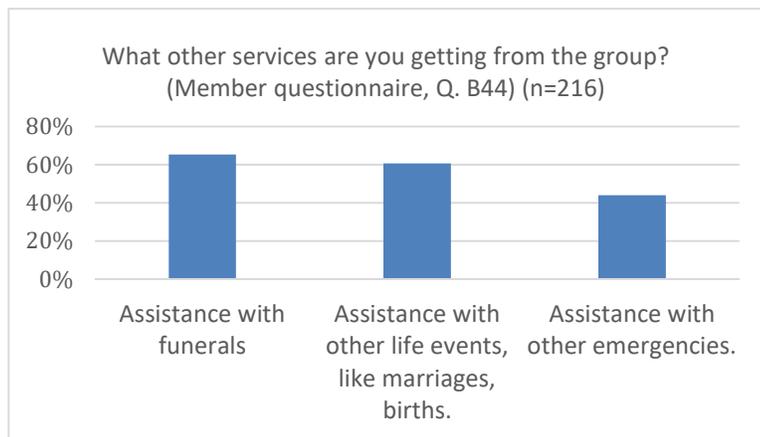
Among those groups who planned to do business together, two wished to engage in batik/soap making and catering, two wanted to have a joint plot for agriculture, and four wanted a shop from which the members would benefit, also from obtaining goods on credit: *'We are planning to buy things like sugar, flour and loan to one another'* (as spoken by a group member in Iringa). The following was mentioned in a group in Singida: *'We have a plan of starting to invest in farms from which we are going to cultivate, but we have the challenge of capital.'*

There is high demand for training and support in the groups, and (given the importance of entrepreneurship) business development training may be an area of interest to the FSPs.

Social protection funds

In addition to savings and credit, most groups have a social insurance component. For two-thirds of the groups, that fund contributes to the cost of funerals, and for many others it covers other life events (Figure 14).

Figure 14. Other services (Member Q B44, n=216)



In most cases, members contribute regularly; in case of a funeral or emergency, the member in need can usually take these funds as a contribution rather than as a loan.

The social aspect of groups is highly valued:

This group has been a comfort to me and they have done a lot for me. When I lost my relative, they came to see me with something in their hands, and when I gave birth they came and gave me some money. It's so much easier to get assistance from the group than from any other place. (Member, distributing ASCA, Dar es Salaam)

Of the SGs interviewed, 79% have a social fund to provide for unforeseen events such as death, sickness, and disaster (such as fire). There are different names for the social fund, such as 'Community Fund', or (in Zanzibar) 'Disaster Fund' (*Mfuko wa maafa*). Table 12 is based on information from the 24 FGDs conducted, and therefore includes both ASCAs and ROSCAs. Almost half of the groups in Iringa make regular contributions to a social fund, while more than half of the groups in Zanzibar contribute when need arises as shown in Table 12 below. None of the groups reported having external health insurance.

Table 12. Percentage of FGD groups reporting having a social fund by region (FGD, n=24)

| Group social fund | Iringa | Zanzibar | Dar es Salaam | Singida |
|-------------------------------|--------|----------|---------------|---------|
| Make regular contribution | 42% | 8% | 17% | 33% |
| Contribute when a need arises | 0% | 57% | 29% | 14% |
| Do not contribute | 20% | 20% | 40% | 20% |

The group social fund has not completely replaced the more traditional personal contributions from members:

One of the services is community help. For example, if a member has a funeral, we members contribute for that person; we also take some money from the community fund and take it to him or her to support our fellow member in hard times. (Member, distributing ASCA, Dar es Salaam)

4.2.2. Prevalence of bank accounts

For FSPs seeking to expand towards the informal sector, their market falls naturally into two categories: group accounts, and individual member accounts, and the two are treated here in that order.

Group accounts

None of the ROSCA members said their groups had accounts, although it is possible that the managers of *kijumbe* ROSCAs have personal accounts for keeping excess funds. Among those groups with bank accounts, 38% did not know why they had chosen the selected bank, while 17% said it was because it was the nearest bank to them. Only 6% said they had chosen the bank because of good service.

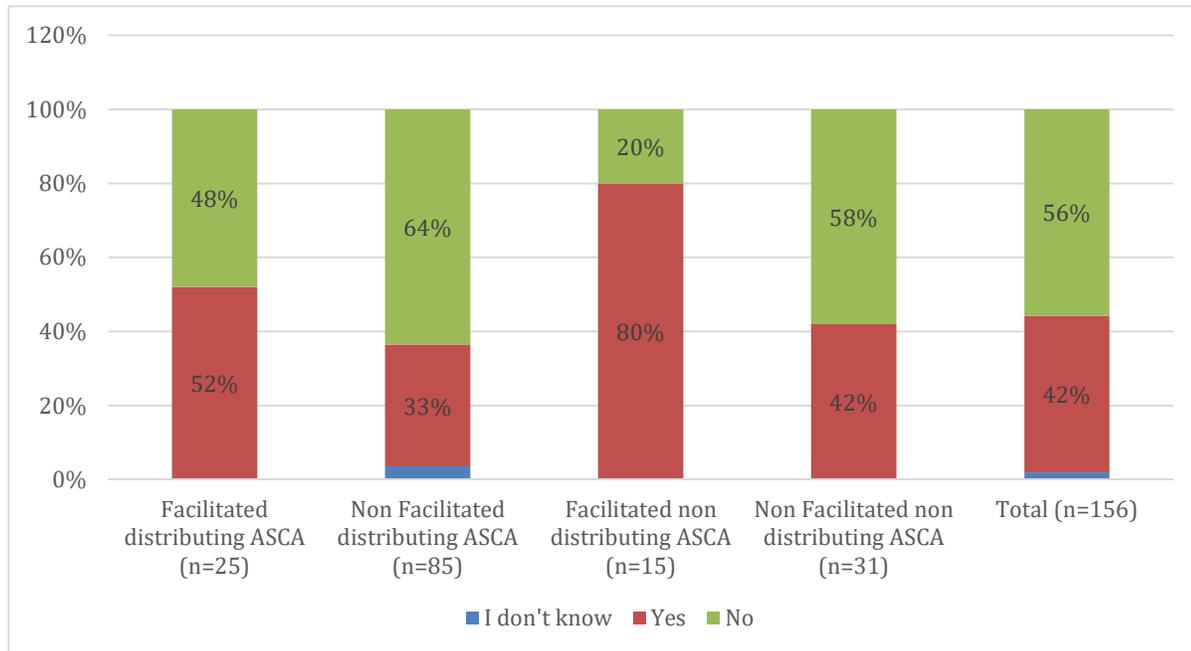
The following table shows the percentage of members whose groups have bank accounts by region.

Table 13. Number of SG members with group bank accounts (Member Q C1, n=216)

| Region | Don't know | No | Yes |
|----------------------|------------|-----|-----|
| Dar es Salaam (n=54) | | 78% | 22% |
| Iringa (n=54) | 4% | 78% | 19% |
| Singida (n=54) | 2% | 43% | 56% |
| Zanzibar (n=54) | 6% | 69% | 26% |
| Total (n=216) | 3% | 67% | 31% |

When ROSCAs are excluded from the sample, the percentage of groups with accounts increases: 40% of the ASCA members interviewed said their group had a bank account. The following figure looks at the prevalence of bank accounts among ASCAs, according to whether they are facilitated or not, and distributing or not.

Figure 15. ASCAs having accounts with FSPs (Member Q C1, n=158)



It should not be surprising that the facilitated ASCAs have a higher percentage with accounts, as the NGOs supporting them often have a program to introduce the groups the support to banks.

31% of respondents in the HH interviews said their group had a bank account (six respondents said they didn't know). A smaller percentage of groups in the FGDs had bank accounts (21%). All of the groups interviewed said that their money is safe in the bank account.

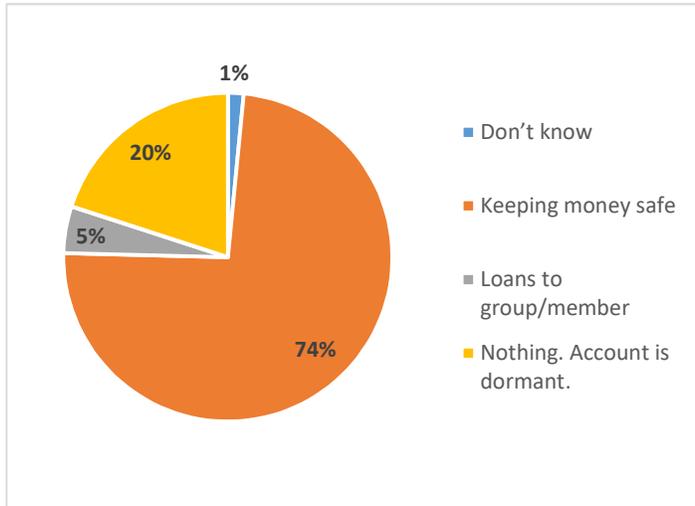
One of the benefits is that our money is safe now and when we are in need of it we can easily go to the bank and withdraw the money. Unlike keeping the money with a member. He or she can tell you that the money has been stolen and hence you cannot have your money, but at the bank the money is safe. (Member, distributing ASCA, Singida)

Some groups are keeping their funds in an account that belongs to a member or a trusted person, but would rather open a group account:

It's inside someone's account. If God wishes, in December, it will be inside our account. (Member, distributing ASCA, Zanzibar)

As illustrated in Figure 16, the groups interviewed overwhelmingly use their accounts for keeping their money safe (74%). Of group accounts, 20% are dormant (discussed below).

Figure 16. Usage of group bank account (Member Q C4, n=65)



Note that 5% of respondents said they used their accounts to receive loans to the group or to members. None of the participating groups have secured a loan from the bank so far, but some have received loans from the government or NGOs, and others said they expected to receive a loan as a result of having an account. It is a requirement of local governmental agencies that groups have a bank account before they can receive a loan or grant. In order to get these sums, groups learn about administrative procedures:

The loan goes straight to the group's account. We do not have any means of knowing that we have been given a loan; we then receive a letter from the place where the loan comes from notifying of the existence of the loan. For example, last year the loan came from the municipal council and the letter was sent to us telling us about the loan. We then went to the bank to confirm that the money was in the account. When we came to the bank, we wrote a letter to the director of the municipal council thanking him and telling them we had received the loan, and we attached the receipt of the loan to that letter. (Member, distributing ASCA, Singida)

One group member clearly expressed their group's aversion to risk:

We are afraid of taking loans, because we haven't had a seminar or training in relation to loans; how can you go to take out loans and put a collateral agreement on your house or farm when you don't know the rate of return? (Member, distributing ASCA, Iringa)

Members from several groups told us the main incentive for opening a group account was the added security of their savings:

There is a need to open an account. This will keep the group money safe from thieves and even from personal use, so the group member can keep the money they might have. (Member, distributing ASCA, Iringa)

I think there are some complications with the banks (especially bureaucracy, start-up amounts, and charges), but I think security of our money is also important. (FGD respondent, Iringa)

It's better to put money in the bank, rather than keep it at home, because it might be stolen. (FGD respondent, Iringa)

Dormant accounts

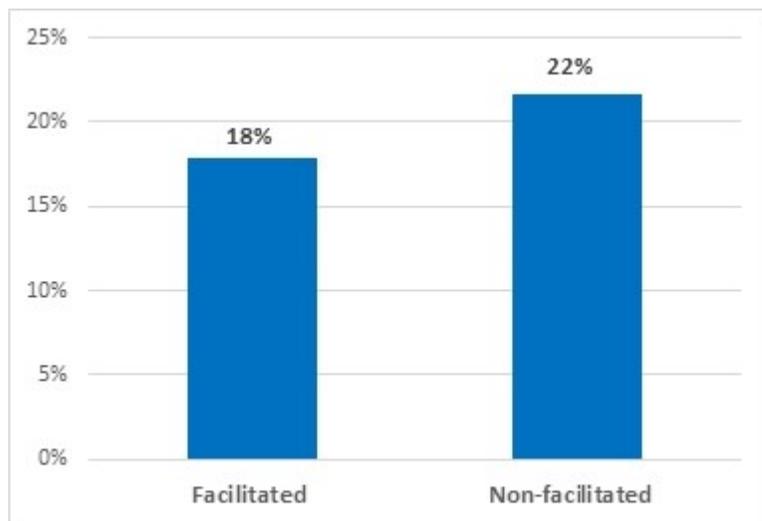
Figure 16 above showed what members said their group account was used for. 20% of those with accounts said that they did not use their account, and in those cases, we classified the account as *dormant* and enquired about the reasons for the dormancy. Thirteen respondents were able to answer the question. Six reported that their group didn't (yet) have enough money. Two said they had opened the account in order to get a loan; presumably

they have or soon will apply for a loan from their bank. The remaining four had responses that might provide useful insights about member perceptions of FSPs:

- because of service charges;
- it is easy to keep money in the piggybank and it is convenient to borrow in case of emergency;
- our primary objective was to borrow money, but the interest rate was too high and there was too much bank bureaucracy in obtaining the loan;
- And because members are not stable, and the bank was too far.

In our sample, non-facilitated ASCA accounts had a slightly higher degree of dormancy than facilitated ASCAs, as shown in the figure below. However, the difference is not significant.

Figure 17. Percentage of accounts that are dormant (Member Q C10, n=65)

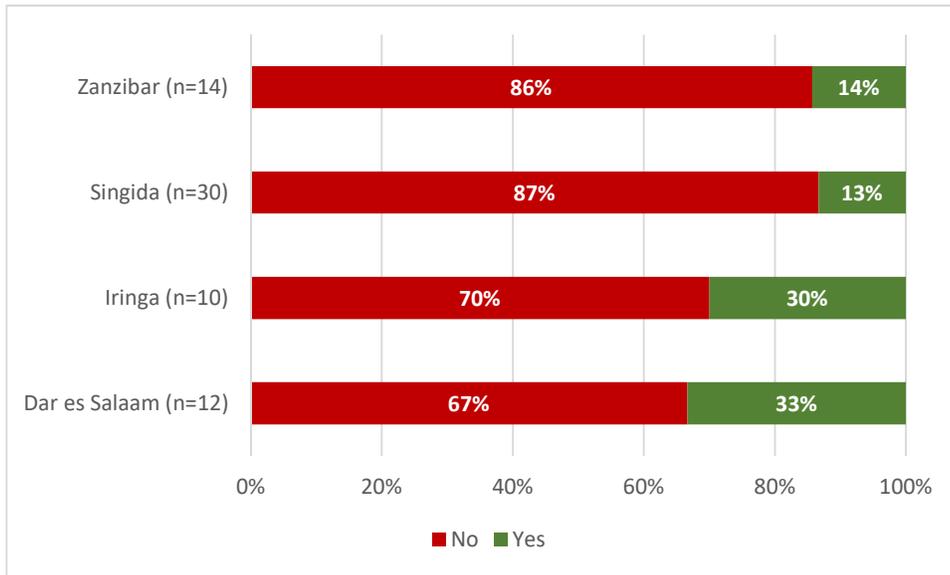


Individual Member Accounts

31% of respondents said they had a personal bank account. In some cases, it seems that the existence of a group account led to opening individual accounts: we asked respondents who said their groups had accounts the following question: 'As the result of the group account, have you opened an individual account?' 20% responded affirmatively.

Many may have had an account before the group account was opened; the survey did not enquire about that possibility. It is also possible that causality works in the other direction, and a member who already has a bank account may motivate the group to open its own account.

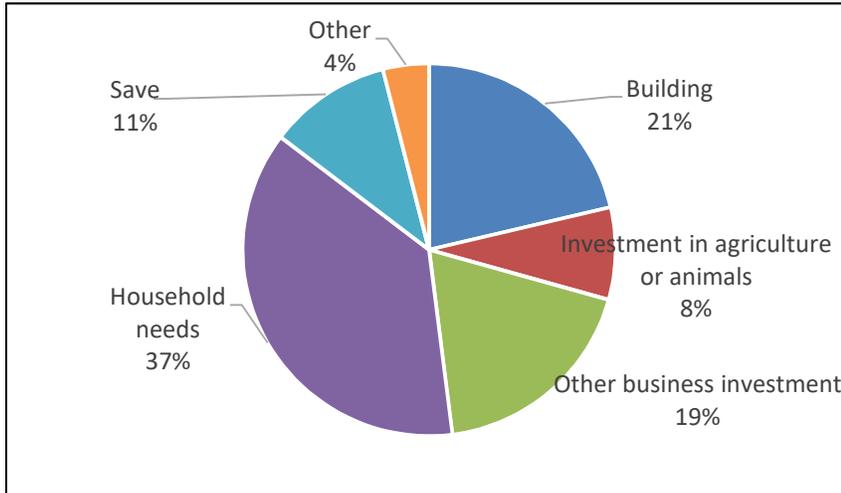
Figure 18. Percentage of ASCA members who opened individual bank accounts after the group account was opened (Member Q C7, n=66)



4.2.3. Uses of ROSCA lump sums and ASCA loans and share-outs

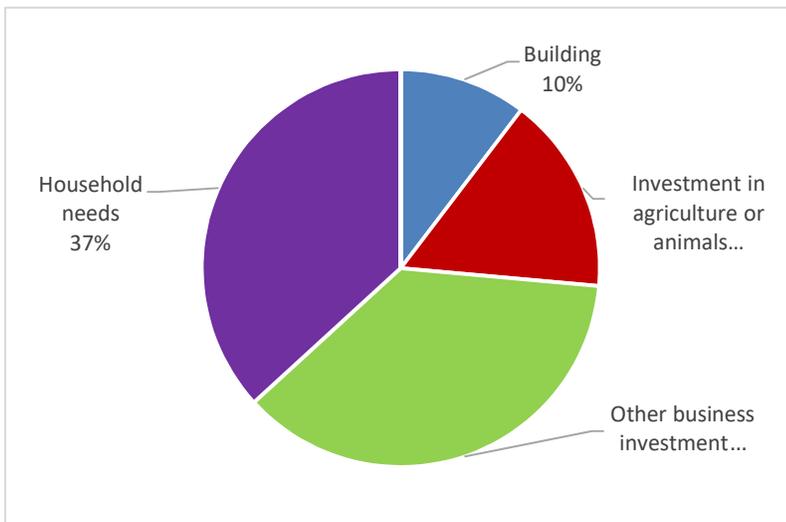
Distributing ASCA members were asked what they did with their most recent share-outs, all ASCA members were asked what they had done with their most recent loan, and ROSCA members were asked what they had done with the money they took out the last time it was their turn.

Figure 19. Uses for share-outs (Member Q B22, n=75)



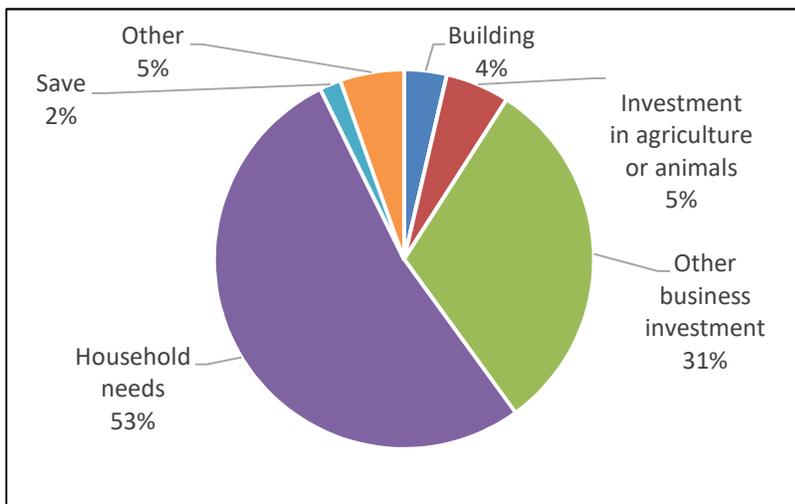
About half the respondents invested their money in an income-generating activity or in housing. In the category, 'HH needs' more than half the respondents mentioned school expenses and buying clothes for children; religious feasts, paying off debts, and buying food were other uses mentioned. 'Building' consisted of buying cement, bricks, iron roofing and in one case a plot of land. A number of respondents reported multiple uses of their share-out, such as 'bought clothes for children and saved the rest'; in these cases, the response was classified according to the first use mentioned.

Figure 20. Most recent uses of ASCA loans (Member Q C29, n=87)



Not surprisingly, no members reported saving their loans, and, compared to share-outs, loans were used more for agricultural and business investments, which can generate a cash flow to help pay back the loan, than to building, which creates a long-term benefit but which may not generate an income stream.

Figure 21. Uses for recent distributions, ROSCA members (Member Q B41, n=55)



ROSCA members report a somewhat different use of their most recent distribution (see Figure 21), with less going to saving and agriculture, much less investment in building, and more money going to HH needs and other businesses. The HH needs category was made up of similar uses as distributing ASCAs: more than half the uses were school expenses and buying clothes for children.

4.2.4. Role of mobile money

FinScope 2017 shows that 63% of the adult population owns a mobile phone and 80% have a phone within the HH. As shown in Table 14 below, the majority of group members interviewed have ordinary mobile phones, and a significant number have a smartphone.

Table 14. Mobile phone type (Member Q C19, n=216)

| Region | None | Ordinary | Feature* phone | Smartphone | Total |
|--------------------|-----------|------------|-------------------|------------|------------|
| Dar es Salaam | 3 | 34 | 3 | 14 | 54 |
| Iringa` | 3 | 42 | 2 | 8 | 55 |
| Singida | 3 | 42 | 5 | 4 | 54 |
| Zanzibar | 3 | 40 | | 10 | 53 |
| Grand Total | 12 | 158 | 10 | 36 | 216 |

*Feature phones have embedded limited smartphone features such as internet access, Facebook, and WhatsApp.

According to FinScope 2017, the use of mobile money increased from 50% of adults in 2013 to 60% in 2017. Our study confirmed that the use of mobile money was high. In Dar es Salaam, Singida and Iringa, almost every group member with a mobile phone is connected to mobile money services. In contrast, in Zanzibar, almost half of the group members interviewed who have mobile phones do not use mobile money services.

Table 15. Group members connected to mobile money services (Member Q C20, n=204)

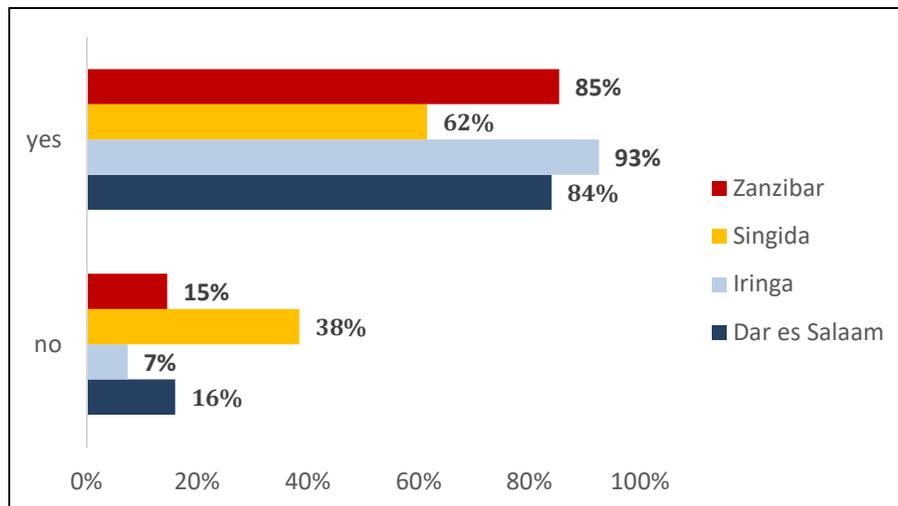
| Responses | Dar es Salaam | Iringa | Singida | Zanzibar |
|--------------|---------------|-----------|-----------|-----------|
| No | 1 | | 1 | 23 |
| Yes | 50 | 51 | 50 | 28 |
| Total | 51 | 51 | 51 | 51 |

AKF and CARE are working with SGs to pilot mobile phone applications. However, in our sample, no groups were using a mobile phone application to save money or to transfer funds to bank accounts. Some groups were using mobile phones as a tool for other group purposes though, such as calling each other and sending messages related to meetings, and in some cases also for transferring funds; for example, if a group member moves to another region:

A member has an obligation to wait until the cycle is completed. She is not allowed to leave the group. If a member is shifting to another region we will keep what is right [her contribution] until the end. When we break, our treasurer sends the money via M-Pesa. (Member, ROSCA, Iringa)

We asked about the adequacy of the agent networks, and their liquidity. In Singida, mobile money usage among respondents is high but members there told us in the FGDs, that there are few agents and they often have a problem with adequate liquidity, and the member interviews supported this finding. In the other regions, access to agents is better than in Singida, but agent liquidity still can be a problem, as illustrated in Figure 22.

Figure 22. Do the mobile agents have adequate liquidity? (Member Q C24, n=204)



Most mobile money users are confident using services (81%). Iringa has the highest (96%) level of confidence in using mobile services while Singida, where the agent network and liquidity is reported to be the worst, has the lowest (74%).

Table 16. 'Are you confident to use services through your mobile phone?' by region (Member Q C25, n=204)

| Responses | Dar es Salaam (n=54) | Iringa (n=54) | Singida (n=54) | Zanzibar (n=48) | Total (n=210) |
|--------------------------|-------------------------|------------------|-------------------|--------------------|------------------|
| No | 11% | 4% | 26% | 23% | 16% |
| Yes | 89% | 96% | 74% | 77% | 84% |
| Total (n=210) | 100% | 100% | 100% | 100% | 100% |

4.3. External factors

This section looks at external factors that might affect the efforts and propensities of groups to open accounts. It presents some background information on the registration requirements of informal groups; the perception that groups have of registration; and the role and perceptions of various partners.

4.3.1. Regulation and registration of SGs

The Government of Tanzania sees a role for SGs in carrying out the national development agenda. In October 2016, the President's Office—Regional Administration and Local Government (PO-RALG) issued the Monitoring and Information Collection Guidelines for CFGs (Government of Tanzania, 2016). It stated that from the financial year 2016/17, TZS 50 million will be earmarked for each village for development projects and be channelled through CFGs. Some CDOs mentioned that some of the reasons why more groups are registered is because of the expectation of receiving this funding, and the FGDs showed that it had been a significant trigger for group formation and registration, especially in Dar es Salaam. The guidelines state that the operation of CFGs has been facing many challenges because development organisations were mainly responsible for them, while the government has only partly been engaged.

The document stipulates that all CFGs should be registered and have a bank account, and the CDOs in the wards are responsible for supporting and monitoring the groups. From the village and ward level, reports on the presence and activities of groups ascend to the district level CDO which is where the groups are officially registered. 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. The policy states that there is a need to regulate, supervise and monitor the microfinance sub-sector and calls for a Microfinance Law. A Microfinance Act is currently being developed.

Some groups 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 belief, even if not strictly true, suggests that there is a natural partnership among banks, local officials, and the groups. Banks that helped groups meet the requirements for registration, and introduced them to the appropriate officials, would be well-regarded by many groups.

Box 1: Group registration process

For the Tanzania mainland, the custodian and registrar of all social groups is the District Community Development Officer (DCDO). However, the process starts at the ward level with the Ward CDOs. We also learned that groups can get recognition by being listed in Village Executive Office. In Zanzibar, registration is done at the District Cooperatives Office. The registration process is as follows.

Required documents: four copies of the constitution, leaders' profiles, minutes from the meeting that endorsed the process, and an introduction letter from the street government to verify the group's legitimacy.

Procedure: after submission, the documents are reviewed by the ward CDO and, once revised, the documents are taken to the district or municipal council. On reaching the district or municipal council and being approved, the group is required to pay a registration fee at a bank. According to the DCDOs, the registration fee is TZS 5,000. After completion of these steps, groups wait for approval between one to two weeks. Once the registration is completed, the group is issued a certificate.

Any type of group with five members or more can be registered at the district level except those with political, religious, and tribal affiliations, which have to follow different route.

On Zanzibar, group registration is slightly different from the mainland:

Required documents: the group must submit an application letter expressing their desire for registration. It should pass through the sheha to confirm their existence. Minutes of the group's first meeting and their signatures and constitution are also required; the local authorities are supposed to help the group prepare it. However, for the group to be registered, it must have been in existence for at least a year and must have participated in training on group dynamics.

Procedures: leaders submit an application letter on behalf of the group to the District Executive Director as an expression of interest. From there, the letter is forwarded to the Cooperative Officer for further processing. Once the letter is approved by the Cooperative Officer, a team of assessors is dispatched to perform due diligence on the group and assist them in writing the constitution. After completion of the whole process, the group is officially registered.

Unlike on the mainland, groups in Zanzibar are obliged to pay an annual fee of 30,000 TZS to the district council. The longer administrative process, and the annual registration fee, may account for the lower rate of registration on Zanzibar.

Many groups believe that registration will help them enjoy other benefits such as project funding which will only be available to registered groups:

We will benefit, as we shall be able to get big projects and even be able to sponsor members in borrowing money. (FGD Respondent, Zanzibar)

The group has benefited because the municipal council already knows us; there was a time when a project came and we were given a machine for grinding the chickens' food. (FGD Respondent, Singida).

Registration is seen as providing legal protection:

In case of defaulting we have a place to go for help. (FGD respondent, Iringa)

We understand when we register our group we can have a lot of benefits. For example, it is easy to deal with a person who fails to meet the group obligations because we are registered, but we don't have enough money to cover the whole registration cost. (FGD respondent, Singida)

We have benefited because we are now known legally. If any member decides to give us trouble we are able to press him or her as we have a system that we follow. Before, some members were very stubborn in returning the loan payments but now every member returns the borrowed money on time. (Member, distributing ASCA, Singida)

One group had benefited from registration through support during share-out:

We were told that in the end of the cycle when we want to divide the money they can help us to do that, because there was a time when money was lost. They gave us a teacher who came to teach us about how to distribute the money and everything. (Member, distributing ASCA, Zanzibar)

In contrast, one group expressed a sense of disappointment because, once registered, the promise by the CDO to teach them batik making had not been realised and she has not returned to the group to see how they are doing.

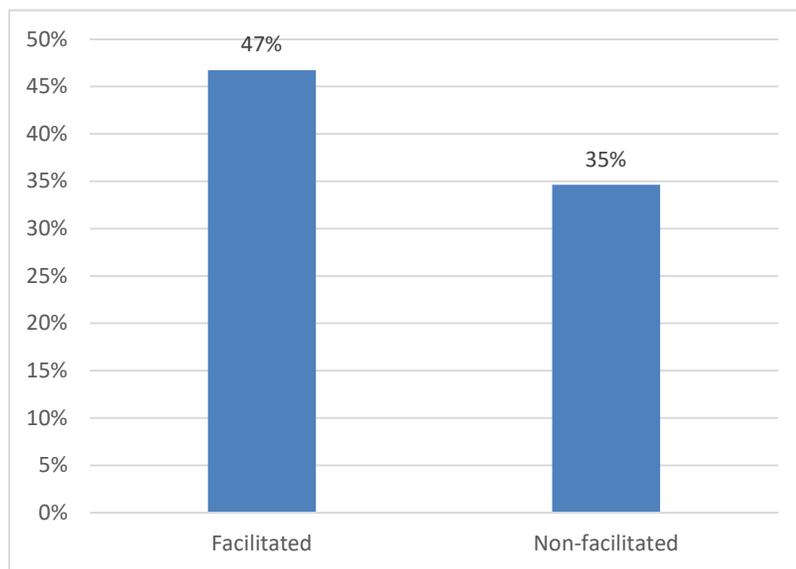
Despite the perceived value of registration, it should be noted that the majority of groups in the sample (58%) were not registered as shown in Table 17.

Table 17. Whether the group is registered (Member Q D1, n=216)

| Responses | Dar es Salaam (n=54) | Iringa (n=54) | Singida (n=54) | Zanzibar (n=54) | Total (n=216) |
|----------------------|----------------------|---------------|----------------|-----------------|---------------|
| Don't know | 11% | 5% | 7% | 8% | 8% |
| No | 69% | 67% | 30% | 66% | 58% |
| Yes | 20% | 27% | 63% | 26% | 34% |
| Total (n=216) | 100% | 100% | 100% | 100% | 100% |

Groups reported that NGOs and apex bodies encourage and facilitate group registration, and the survey findings confirm this, with group registration about one-third higher among facilitated groups, as shown in Figure 23.

Figure 23. Percentage of facilitated and non-facilitated groups that are registered (Member Q B3b1&D1, n=158)



Despite their appreciation of the benefits that come with registration, most of the members in the FGDs were not aware of how to actually register:

Our group is not registered, and we don't have someone who can advise us on the registration process.

(FGD respondent, Dar es Salaam)

Even among the registered groups interviewed, information about the process was often only known by a few members, such as the leaders. The following extract from a member of a registered distributing ASCA in Dar es Salaam shows a certain opacity that was not uncommon:

Enumerator: Do you have a certificate?

Respondent: Yes, but all the documents are with the responsible person.

Enumerator: Is there any member among yourselves who knows the process of registering a group?

Respondent: No, most of us here do not know.

Enumerator: When was it registered?

Respondent: We do not know.

Finally, while some groups believe that they must be registered to open a bank account, this is not the case in practice. While most groups that are registered have bank accounts, and vice versa, there are a good number of exceptions.

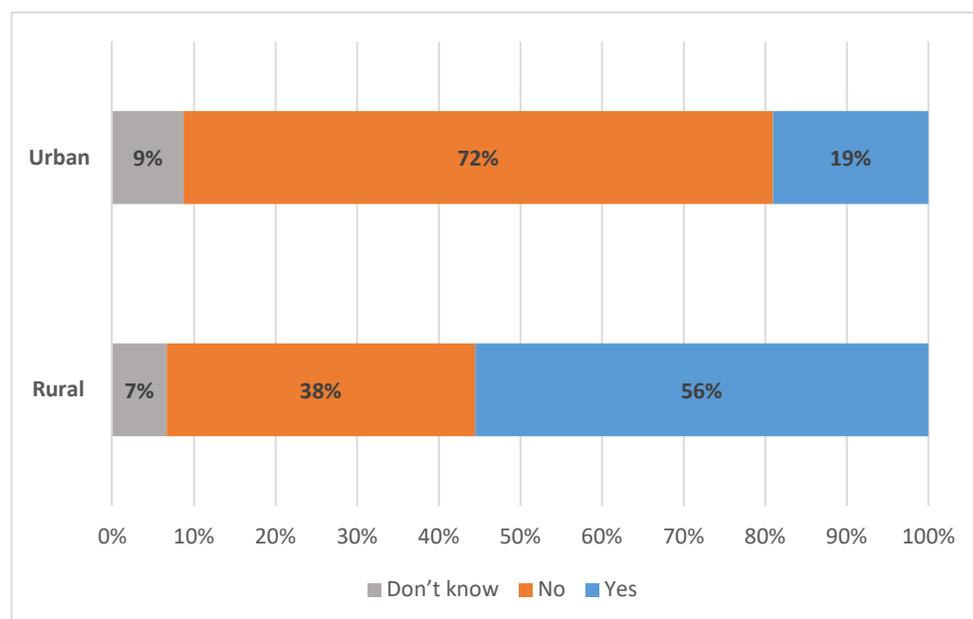
Table 18. Group registration and linkage to the FSPs (Member Q C1&D1, n= 216)

| Member Qs C1, D1 (n=216) | Both registered and bank account | Bank account without being registered | Registered without a bank account |
|--------------------------|----------------------------------|---------------------------------------|-----------------------------------|
| Number | 53 | 10 | 20 |
| Percentage | 25% | 5% | 9% |

Urban and rural

The study found significant differences between urban and rural groups in several areas, including registration levels. More rural groups were registered than urban groups, probably because of the intervention of NGOs and the closeness of rural people to the local government authorities.

Figure 24. Proportion of registered groups by cluster (rural/urban) (Member Q D1, n=216)



Proportion of registered groups by cluster (rural/ urban)

As mentioned previously, a possible reason why more groups are registered is because of the expectation of TZS 50 million in presidential funds to be distributed to every village and channelled through CFGs. In Zanzibar, the district cooperative officer pointed out that group numbers tend to mushroom during general election years because politicians make campaign promises to channel money to SGs once elected.

Partnerships

The NGOs and apex bodies concentrate their interventions up-country, despite usually having offices in Dar es Salaam. This may be because donors and implementers assume that urban dwellers already have their financial needs met, or because it is easier to form groups that depend on solidarity and social capital in rural than in urban areas. In any case, the absence of NGO projects explains the high prevalence of spontaneous (non-facilitated) groups in Dar es Salaam. Very few people interviewed in Dar es Salaam knew about the apex bodies and NGOs active in promoting SGs.

The sample areas for this study have all had a number of NGOs working in them to form distributing ASCAs. From the FGDs it was learned that usually, where there are facilitated distributing ASCAs there tend to also be significant numbers of non-facilitated distributing ASCAs, as neighbours, friends and family imitate the practices of trained members, and start their own spontaneous groups. Trainers also continue to set up groups after the NGO or project has left. This dissemination effect is evident in our sample, as the number of non-facilitated ASCAs is greater than the number of facilitated ASCAs (as indicated in Figure 25). Note, however, that according to the definitions we used, groups that have once been facilitated can become non-facilitated, as they lose contact with the NGO or apex body that facilitated them.

Figure 25. Facilitated vs. non-facilitated groups by regions (Member Q B3b3 and B3b5, n=158)

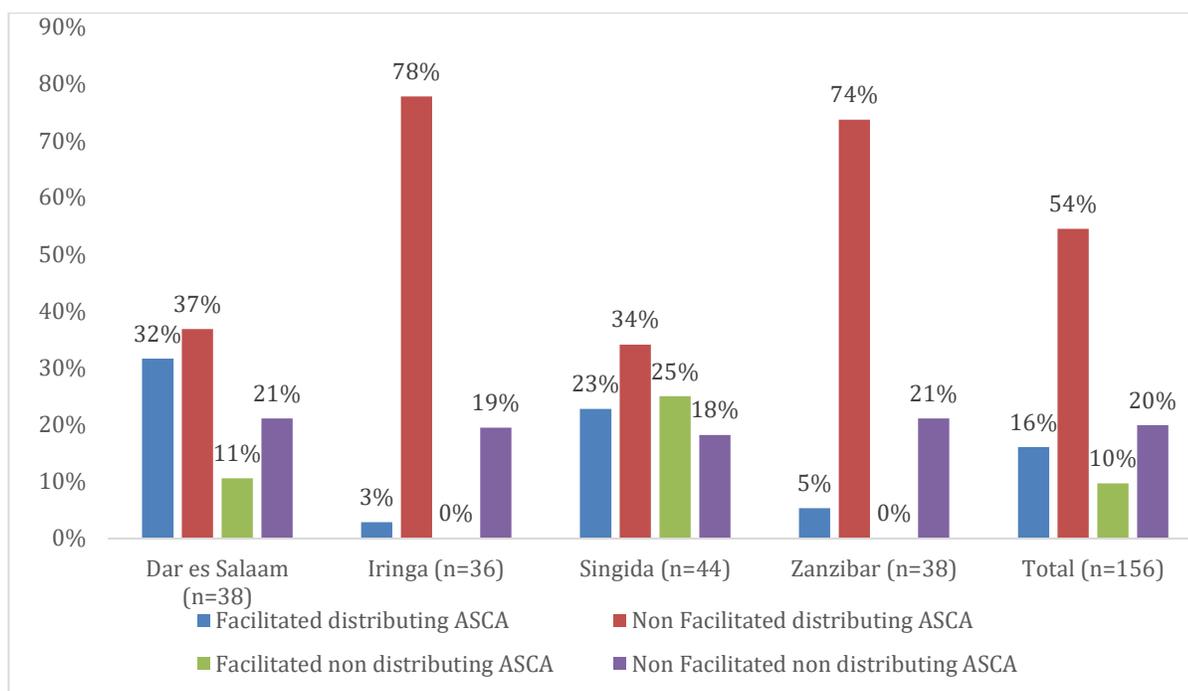


Figure 25 shows that the distribution of ASCAs by their status of distributing or not, and facilitated or not, varies substantially by region. The facilitated/non-facilitated distinction is important for anyone who wants to locate groups through their partner; in many or most cases, no agency knows where non-facilitated groups are located.

It was surprising to discover that few of the groups (5 out of 24) that participated in the FGDs had ever been facilitated by NGOs or apex bodies at any stage of their cycles, and among those that were facilitated at one time, some had lost contact:

We were inspired by CARE International to form this group ... but we are no longer in touch with them.
(Member of distributing ASCA, Dar es Salaam)

Nonetheless, even when the NGOs and apex bodies are no longer present, they have left footprints through the trainers they have left behind. In most cases, the group's loyalty is to whoever trained them, not to an NGO or apex organisation.

There were also some discrepancies between the information given by apex organisations and NGOs, and that provided by the groups. Some of the agencies have lost track of their groups, which as far as they know may only exist in their database. This was illustrated by one of the apex body representatives:

I can say we are still in contact with only 30% of the total groups we formed in Dar es Salaam. (Representative, Advancement for Small and Microenterprises Development, (ASMET))

Many of the trainers interviewed have long-term relationships with their groups and continue to assist them. After projects are over, the trainers stay behind, sometimes receiving payment from the groups they train, and the groups' loyalty is to the trainers who stay with them rather than to the apex organisation or NGO, as illustrated by the following excerpt from an FGD:

Respondent: No we do not have a relationship with any type of non-governmental institution. But we have a trainer who trains us and we pay the trainer for the service that we get, and that person is not from any institution.

Enumerator: How did you get that trainer? And was he the one who helped you to form the group?

Respondent: The trainer is from our ward and we got him just by luck. Yes he is the one who helped us to start this group. (Member, distributing ASCA, Singida)

Other ASCAs organised themselves into a group first and then asked for facilitation. In the case of the group below, the trainer was trained by an organisation, but the group does not know the name of the organisation and the trainer is now independent. They have paid him for his services, which include the training sessions and a journal for record keeping.

We mobilised ourselves. After that, we felt that we couldn't move well without a trainer to train us on the basics of group dynamics like the importance of having a group, community funds, procedures for loan acquisition and financial management. (Member, distributing ASCA, Dar es Salaam)

4.3.2. Regional differences

In Dar es Salaam, 15 respondents from nine distributing ASCAs reported that their groups were facilitated. The majority follow the VSLA system which was introduced by CARE International and Plan International.

In the study population, Singida has more facilitated groups than other regions, and it is also the region with many facilitated non-distributing groups (nine respondents from seven different groups). Many of the groups in Singida consider themselves VICOBAs, which frequently do not distribute.

Zanzibar was home to one of Africa's first SG programmes, run by CARE International in 2001–2002. When CARE left the area, it facilitated the creation of a local organisation, Jozani Credit and Development Organization (JOCDO) which took over group formation and support. In Zanzibar, groups ostensibly follow the VSLA model, but it is interesting to note that fewer than half the groups report that they distribute, suggesting that the model has evolved over the decade and a half since CARE left. JOCDO reports that it is currently in contact with 676 groups.

The study came across only one facilitated distributing ASCA in Iringa, the region in our sample with by far the highest number of non-facilitated groups. The majority of these member-formed groups are recent (formed between 2014 and 2017). In Iringa, we came across the Empowering Community Association (ECA), formerly known as HISA Microfinance, which is active only in some places (such as Mafinga) where there is forestry business/timbering. HISA's groups use the VSLA model. Other groups are descendants of TUNAJALI (Swahili for 'we care'), a support organisation for families of people living with HIV/AIDS: among many other programme elements, TUNAJALI has formed SGs for affected HHs and youth groups made up of orphans and vulnerable children, using the SILC variant of SGs, which was developed by CRS. The approach has spread beyond people affected by HIV/AIDS to the entire community.

4.4. Implementation considerations

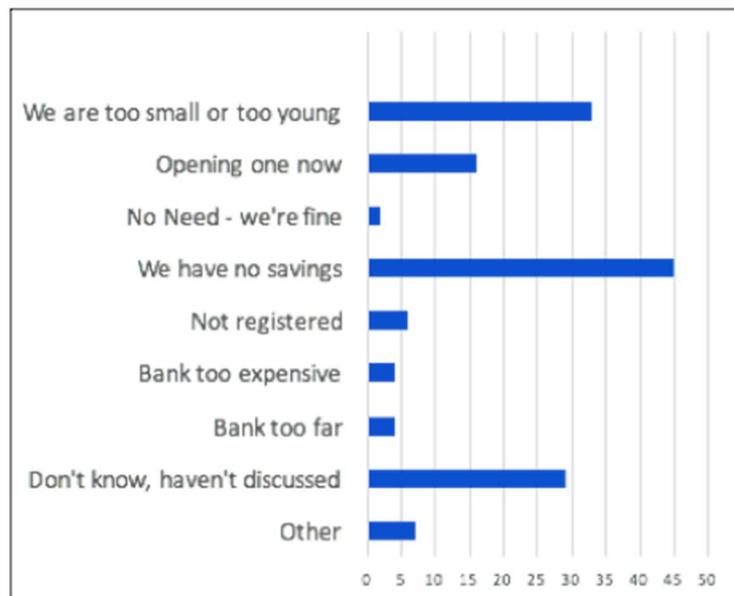
This section presents information about the perception of FSPs by group members, the confidence that group members place in different communication or information channels, the value added by NGOs and apex bodies, and other information that can help illuminate how FSPs and other can best communicate and establish relationships with SGs.

4.4.1. Perception of FSPs by SG members

SGs and their members are generally favourably disposed towards FSPs. The groups interviewed generally either already had a group account, or are intending to open one, or see that as something that might happen in future; no group encountered had ruled out ever opening an account. However, interviews—and especially FGDs—did reveal some negative attitudes towards FSPs. The primary reasons groups have for wanting to open an account are security and long-term savings. As will be seen later in this section, in other areas, respondents are quite satisfied with what they are getting from their SG.

The survey asked 146 members whose group did not have a bank account why they did not. The question was open-ended, and then the answers were coded into nine categories (Figure 26).

Figure 26. Reasons for not having bank account (Member Q C9, n=146)



Negative statements about FSPs were rare in the member interviews. In response to the question as to why a group does not have a bank account, the most common answer was *'we have no savings'*, which came primarily from ROSCA members, although there were exceptions: three ROSCAs said they were in the process of opening accounts or considering doing so, and four ASCAs said they had no savings, a remark which hopefully means they did not have *enough* savings. *'We are too small or too young'*, and *'Don't know, haven't discussed'*, were the next most common answers. Neither suggests reticence to have a bank account, but rather the absence of a perceived need for one, at least at the time of the interview. A remarkable 21 respondents out of 146 said they were in the process of opening one; that category includes a range from 'planning to open one next year' to the much more specific *'One of [the] signatories got a problem but we have everything and currently we are using the account of one of our member's until when we will open ours'*.

However, in the FGDs, members expressed a more varied set of opinions about FSPs, and pointed out specific issues they perceived.

One respondent mentioned difficult banking procedures:

It is not easy to take money from the bank, they have a lot of procedures compared to our groups. Unlike in our group, if someone wants money she gets it straight away. (FGD respondent, Zanzibar)

Another talked about transportation costs:

Imagine how can you go and save TZS 10,000 to a place where you have to incur a transport cost to go and return TZS 8,000. We would love to use bank services but its accessibility in our village is impossible. (FGD respondent, Singida)

One member mentioned the perceived costs of borrowing from a bank:

Groups are scared to borrow money from banks because the interest rates are very high, and this makes most people unable to pay back bank loans. (FGD respondent, Iringa)

Another member mentioned the complications that can arise when the group takes a wholesale loan:

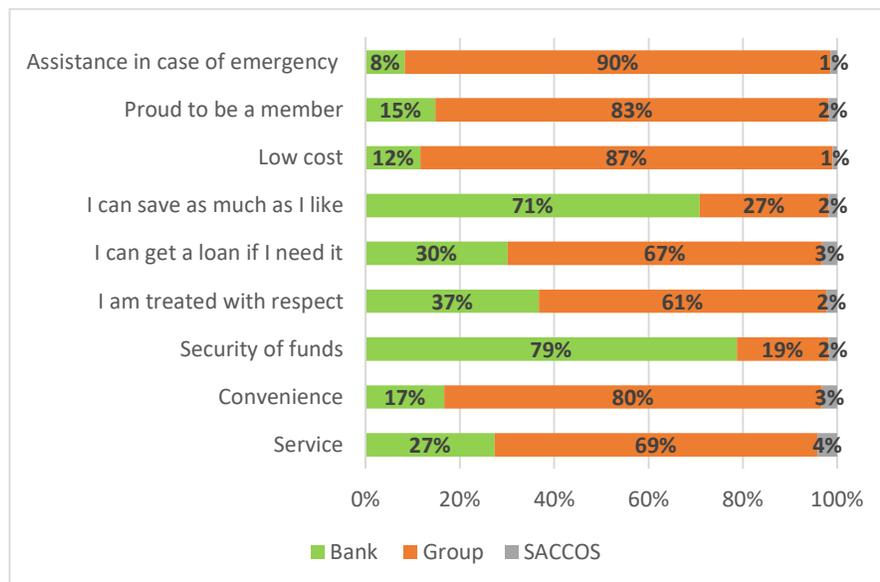
Most of the loans that banks or government lend to groups are intentionally aiming at improving the group members economy and so the group members need to agree all together to take the loan and pay it at the required time. And if some group members refuse to take the loan then it becomes a problem, thus making most groups not borrow money from the banks. (Member, distributing ASCA, Iringa)

Finally, some groups thought that at their present stage of development, a bank account would be simply an unnecessary or inappropriate addition:

This group has not reached that level; we are still a small group for now, and it's too early to think about that because of the small number of members and the small contributions we are making. (Member, distributing ASCA, Dar es Salaam)

We asked respondents to state their preference for banks, SGs and SACCOs, for different products, services, and qualities. Figure 27, *Preferred Financial Institutions* shows the response. Banks were thought preferable for the security they provided, and for long-term saving. In all other areas, including help in an emergency, making the member proud, the cost of services, the best place to take a loan, being treated with respect, and convenience and service, members preferred their SGs. It is noteworthy that members preferred their groups two-to-one as a place to borrow, which suggests that group wholesale loans will meet with many members being dissatisfied; inversely, one-third of members said they would prefer to borrow from banks, which suggests that there is a market for individual loans to the members of the population served by SGs.

Figure 27. Preferred financial institutions for different uses (Member Q C18a–C18i, n=216)



While this study did not specifically address how banks and SACCOs were perceived differently, it is noteworthy that on this question, SACCOs were ranked far behind both banks and SGs in all categories.

During the FGDs, several participants underlined the qualities they liked about their groups. The following remarks illustrate qualities which FSPs are not likely to be able to provide:

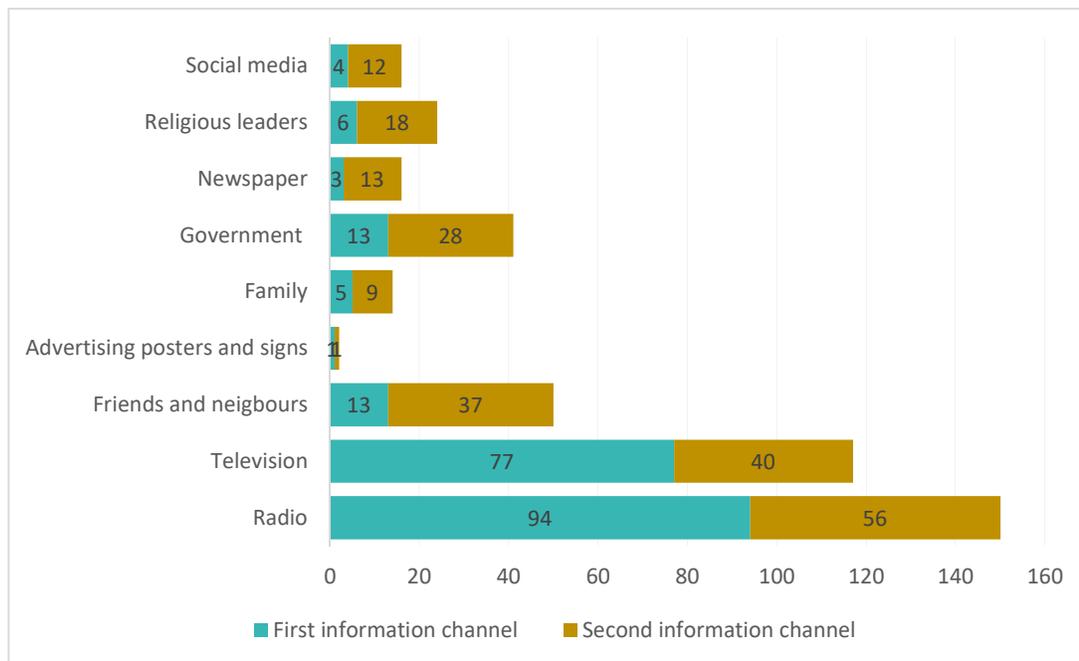
I like this group because people care about each other. For instance when you have an emergency you can ask another member in the group. (FGD respondent, Singida)

The main thing I like about this group is cooperation, but also the group helps you to learn things that you could have not done when you are alone. (FGD respondent, Zanzibar)

This group has its own standing, it cares about humanity, it cares about everyone for who you are, either you poor or well off. (FGD respondent, Dar es Salaam)

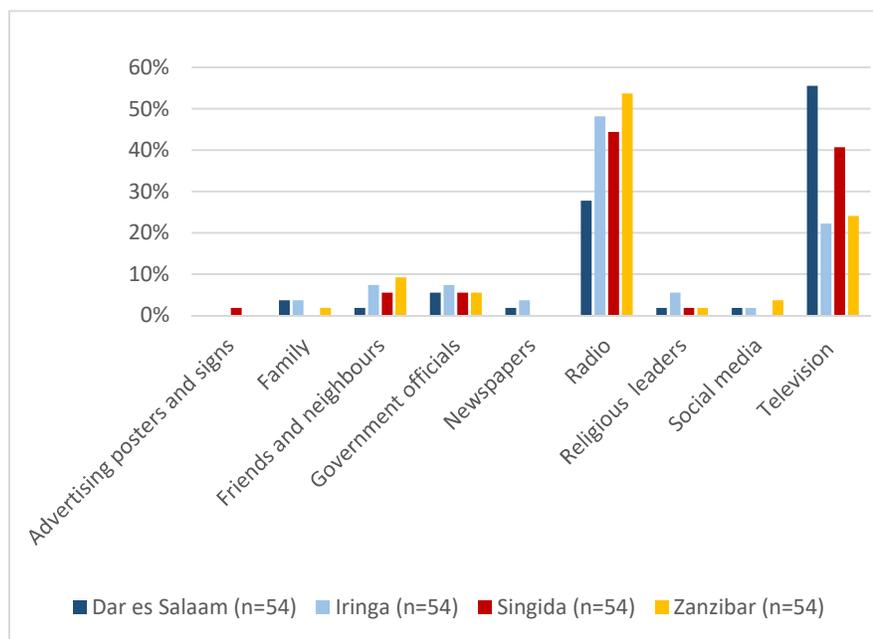
4.4.2. Preferred information channels

Figure 28. Preferred information channels (Member Q C33, n=216)



Respondents were asked to rank at least two information channels they trusted. In all areas sampled, both rural and urban, radio was ranked as the primary channel and television was highly ranked where there was reliable electricity. Respondents did not rank posters and signs, government officials, religious leaders, or even friends and neighbours as highly.

Figure 29. Perceptions on reliability of information (Member Q C33, n=216)



There were some interesting regional differences: television is more common and trusted in Dar es Salaam, while Zanzibaris placed more confidence in families, friends and neighbours and religious leaders than the other regions.

Finally, when one compares the preferred information channel by type of group, there are few notable differences except that the older members of non-distributing ASCAs are more likely to watch television, read newspapers, and trust their religious leaders for information, than members of the other sorts of groups.

Table 19. Preferred information channel by type of group (Member Q C33, n=216)

| | Dist. ASCA | Non-dist. ASCA | ROSCA | All |
|--------------------------------------|------------|----------------|-------|-----|
| Radio | 70% | 59% | 76% | 70% |
| Television | 46% | 70% | 56% | 54% |
| Family | 8% | 2% | 7% | 7% |
| Friends and neighbours | 27% | 15% | 24% | 24% |
| Religious leaders | 9% | 17% | 8% | 11% |
| Government officials | 20% | 17% | 19% | 19% |
| Newspapers | 8% | 11% | 3% | 7% |
| Advertising posters and signs | 2% | 0% | 0% | 1% |
| Social media | 9% | 7% | 3% | 7% |

4.4.3. Perceptions of NGOs and apex bodies

Most of the information in this report comes from interviews with group members and FGDs with groups. However, the research team also interviewed field staff of NGOs and apex bodies, providing a more complete picture on the financial inclusions landscape in Tanzania. The researchers did not interview home office staff.

In mainland Tanzania, an important apex body promoting SGs is VICOBA Federation Tanzania (VICOBA FETA), and its influence is so widespread that many groups refer to themselves as 'VICOBA', even if they have no formal connection to VICOBA FETA.¹⁶

We formed this apex after seeing that there were so many NGOs working on the same thing, yet in silos. As a result they were duplicating work, and at the same time making advocacy at high government offices difficult. We started with four member organisations (SEMIT, VICOBA Sustainable, UYACODE, and SELL), but as of now we have more than 20 members and four more in the pipeline. We were brought together through the National Economic Empowerment Council. (Richard Ngata, VICOBA FETA)

Pamoja Entrepreneurship Support for Community Development (PESCODE) mentioned in an interview that they have 1,500 SGs in Dar es Salaam. They train the groups and provide the SG toolkit, at a cost of TZS 15,000 to TZS 20,000, depending on how far the trainer has to travel. However, there may be more groups trained indirectly, as PESCODE is aware some trainers 'hide' their own groups to avoid paying the commission to PESCODE. The trainers get a commission of TZS 4,500 from the TZS 15,000 charge to the group. All groups trained by PESCODE are instructed to open a bank account. They have an idea where the groups have bank accounts because they have written introduction letters for them:

Most of our groups have accounts in Women's Bank, although some of them are withdrawing from it for the reasons I have told you [some groups were complaining because the bank asked for advance notice before groups could withdraw funds]. Despite this, the bank that is leading with most of our groups is Women's Bank. The next bank is Dar es Salaam Community Bank; it has a lot of our groups. The next one is CRDB, and currently we have started to open accounts at NMB Bank, Access Bank, and Equity Bank. Equity Bank have loosened their rules, and they come to our streets to follow the groups, hence opening accounts for us. This has motivated people, because most people aren't friendly going into people's offices, therefore when they are here—this one is coming to open an account for you—they tell you, this is a good one, let it come. (Benson Wadelanga, PESCODE)

In Zanzibar, the main apex body is JOCDO. In JOCDO's view, FSPs should make more effort to open accounts with groups and to utilise JOCDO as an intermediary:

Because SG members do not know about banking issues, there is not enough encouragement from the banks near us, like Bank TBZ. Some of the other banks are also not honest. They once came and took our information but they never came back; rather, they convinced our members to join their banks without our consent. And hence they have betrayed us. (Salma Abdallah, JOCDO)

¹⁶ Note that in the SG Global-Outreach report (Annex I), VICOBA groups trail far behind groups formed by CARE, CRS, PACT, Plan and World Vision in number. However, this informal report contains self-reported information, and the field reality may be different.

5. Conclusion

This study produced a number of conclusions that the authors believe will be of interest to FSPs, SG promoters, donors and governments. Some are new ideas, and some confirm findings and recommendations that appear in other publications.¹⁷ While the reader should keep in mind the study's modest sample size, and of course consider the findings along with other sources of information about the informal sector, we believe the ideas presented here are at the very least promising starting points for further research.

The conclusions are arranged under the same headings as the findings: potential market; products and services; external factors; and implementation considerations.

5.1. Potential market

Despite the growth of the formal sector, the use of SGs of various kinds grew by a third from 2013 to 2017 (12% of the population to 16%).¹⁸ Much of this growth stems from the past activities of NGOs, which formed groups and trained trainers, and those groups and trainers continue to form new groups post-project. While the initial impetus came from NGOs, the continued often-spontaneous growth of groups with no advertising and little promotion is evidence of the extent to which they are appreciated. People join groups both for the financial services and the social aspects, and members are generally happy with their SGs. The increasing numbers of groups that spontaneously open bank accounts, and the complementarity between the benefits members report from their groups and the reasons they give for opening bank accounts, suggest that savings groups and FSPs should be seen as natural partners rather than competitors for the same limited market.

There is a great diversity of groups and members. 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; however, much of the SG membership is less well off than existing bank customers. As Steve Peachey of OPM has pointed out, 'Linking can offer a significant potential extension of active users of finance but it will mean dealing with lower-income consumers than those [formal financial institutions] currently serve.'¹⁹

Knowledge of banking products varies significantly within SGs. While group leaders might be well-informed, and might have bank accounts themselves, the level of knowledge varies among the group members about such things as registration and its importance. This implies that strategies that target group leaders alone without including and educating members could backfire, by creating dissension and divisions with groups.

Youths were very common in our sample, especially in distributing ASCAs and in ROSCAs. We did not, however, encounter any groups that defined themselves as youth groups. In other words, youths and older members were mixed in many groups. While this may mean it is more difficult to target youths with products, it probably also means that the younger members of mixed-age groups can ease the introduction of technology into groups.

The amounts saved and borrowed in groups varies enormously, within regions and within types of groups. The amounts saved and the uses of bank accounts for SGs and their members are likely to be equally varied.

5.2. Products and services

The most pressing need of many of the groups covered in the study is security, and that is the principal reason most groups have opened bank accounts. Offering groups a secure affordable way to safeguard their money is therefore an obvious entry point for FSPs.

¹⁷ Most recently in (2017) *Delivering Formal Financial Services to Savings Groups: A Handbook for Financial Service Providers*, SEEP Network, www.mangotree.org.

¹⁸ FinScope Tanzania 2017.

¹⁹ S. Peachey, *Bridging the Gap Between Formal and Informal Savings in Tanzania*, <http://www.mastercardfdn.org/formal-informal-savings-in-tanzania/>.

It might be a mistake to put credit very near the centre of a business plan for reaching SG members: although demand for credit is high, over half of the members of SGs say their group already meets their credit needs, and it is not likely that all of the third who say they want to borrow more are creditworthy.

The *kijumbe* ROSCAs described in this report were a surprising discovery, and remarkably common in our small sample. The groups we encountered are a clear indication that people are interested in frequent, nearby savings to building up lump sums rapidly, and they are willing to pay to get those things. The Ghanaian *susu collectors* offer similar services through a very different mechanism, which might be of interest to Tanzanian FSPs

Most ASCAs have some sort of community fund or emergency fund. The fact that these funds are found in all categories of groups shows that it is not simply an idea that NGOs have introduced. The funds cover medical needs and funerals, and often other social and emergency needs. The groups with a community fund often reported that the fund does not cover all their needs, even though it helps. Members appreciate the speediness of the response when they have an emergency need. Some groups had heard about other groups that have insurance, and expressed interest. However, no groups were buying insurance from an outside provider, and many of their needs in times of emergency were being met at low cost (with no bureaucracy) by the group. It is uncertain whether groups constitute a market for external insurance.

It is speculative to ask what effect having a bank account would have on a group's behaviour, but the findings of this study give us some information to consider. Bank accounts might increase savings in at least three ways. First, because so many members have concerns about the safety of their savings, the increased security that a bank account can provide might encourage members to save more. Second, keeping money in a bank might increase the friction in accessing funds, reinforcing the commitment savings aspect of groups: money that is out of sight is more likely to be out of mind. Finally, three-quarters of distributing ASCA members said they wished they had long-term savings. ASCAs are not well equipped to provide this, but if long-term savings are made available through banks, it is likely that many members would avail themselves of the product, especially at the time of share-out when they are uncharacteristically flush with cash.

5.3. External factors

There is no unique entry point into the SGs. Links between groups and their NGOs and apex organisations are one way to encounter groups, but these links are sometimes more theoretical than real, and no NGO or apex body reaches more than a fraction of the existing groups. While lists of groups exist in databases, the organisation may have lost contact with many of its groups, and the supposed bonds between group and organisation are often really only between group and trainer. While there are clearly advantages to working with partner organisations, to do so exclusively would be to miss a large part of the market.

The CDOs might be an underutilised entry point to reaching groups. In any case, some expressed their willingness to be more involved, although claimed not to have the resources necessary to visit groups.

There is no clear pathway for using mobile phones as an entry point to groups; however, once contact is established, the phone is a convenient way to maintain that contact, as phones are ubiquitous, and many groups already use them for managing their business.

5.4. Implementation considerations

While banks have some image problems, there were surprisingly few complaints in the member interviews about either bank charges or the distance to their branches. Many groups have already opened accounts, and many others want to, as do individual members. According to the member interviews, the failure to open accounts often stemmed from problems with decision making within the group, or with registration, or came from the idea that the group was too small to have an account. FSP marketing efforts should address those issues. That is, FSPs may not need to convince people that it is advantageous to open accounts, but rather to convince them that it is easy to open accounts. Notably, members were much more likely to open an account with the *nearest* bank, rather than with the one that they thought offered the best service.

In terms of outreach, members named radio and television as their preferred sources of information by a large margin, and some sources of information that one might assume were effective were rated quite low by

members. This study also confirmed what is already known: mobile phones are seemingly everywhere. Mobile penetration among group members is nearing 100%, smartphone ownership is strikingly high, and mobile money is commonplace. As agent networks build out, the importance of mobile money to SGs concerned about the security of their cash is very likely to grow.

As the guidelines for group registration state that groups should have a bank account, and the registration certificate is often used as part of Know Your Customer (KYC), there seems to be not only a potential for cooperation, but a necessity for cooperation, between the CDO office, FSPs, and the groups.

Cross-cutting

Finally, two cross-cutting characteristics of SG members are relevant here. Both are drawn from worldwide experience, but we found echoes of them in many of the conversations with members during this study. Both involve contradictions, but are no less true. They will be useful for FSPs as they think about meeting the needs of group members.

First, group members simultaneously seek both liquidity and illiquidity; in other words, they want to be able both to meet immediate needs for cash (liquidity preference) and they want to make it difficult for themselves to access their own savings, to protect them from the many urgent needs that face them (illiquidity preference). Distributing ASCAs are said to be popular because they manage to satisfy both contradictory needs: they have obligatory periodic savings to satisfy the illiquidity preference, but they also have easy access to credit and social funds to meet the members' needs for liquidity.

The second characteristic, and contradiction, of members is their insistence on transparency at the same time as they treasure confidentiality. They need to know exactly what is happening in their member-managed groups, and where the money is, at all times; however, they don't want neighbours, friends, family, or thieves to know how much they have accumulated and where their money is. Understanding these two contradictions will be valuable to anyone working with SGs.

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Annex A: Research questions

Potential market

- Establish and test a typology of SGs with concise definitions of each. This will include, for example, ROSCAs, facilitated and non-facilitated ASCAs, and funeral societies. Both are Accumulating Funeral Societies, which build up a fund for future pay-outs for funerals, and 'collecting-distributing' societies, which collect contributions from members only when there is a need.
- Establish the relative and absolute frequency of each kind of SG, along with the number and frequency of facilitated groups, within the population of SGs in the study areas.
- Establish the typical cash flow of distributing ASCAs, non-distributing ASCAs (including funeral societies), and ROSCAs.
- Analyse the potential as an FSP client of distributing ASCAs, non-distributing ASCAs (including funeral societies), and ROSCAs. What products and services do they want, or might they want in future?
- For each type of group, assess the extent and the qualities of their partnerships with INGOs, national NGOs, and apex bodies, and how these partnerships affect their potential as FSP clients.
- Discover the characteristics of the youth market. How common are youth SGs? How common are youths within regular 'adult' SGs? What is the potential of introducing financial services into the youth market?
- Discover the potential for non-financial groups (e.g. tailors' groups and youth groups) which currently do not save or borrow, but which would like to do so in the future.
- Identify the principal risks faced by the different types of SGs, their members, and the FSPs members, including multiple memberships and the sometimes erratic life-cycles of groups.
- Establish a typology of members and determine which sorts of groups include which types of members; evaluate the implications for SGs. Also assess the homogeneity of group membership.

Products and services

- Identify the types of products and services that members of SGs might need and want from FSPs, distinguishing carefully among individual saving, group saving, individual credit, and group credit.
- To the extent possible, determine which products are likely to generate the greatest cash flows for FSPs.
- Investigate the potential role of technology in providing those products, including the prevalence and attitudes of SG members towards mobile phones and smartphones, and the adequacy of agent networks (e.g. availability and float) in the areas studied.
- To the extent possible, estimate future growth of the market, future changes in group desires, and future expansion of mobile technology.
- To the extent possible, determine to what extent the annual share-out in groups that distribute is valued for the lump sum, for the audit function it provides, or for some other reason.
- To the extent possible, determine whether savings accounts in FSPs (group accounts and individual accounts triggered by group account) would present an addition to the savings portfolios, or whether the savings account might replace other forms of savings for the individual group members.

External factors

- Determine what registration requirements (and fees) exist in different parts of Tanzania for which types of SG, whether and at what time in the life cycle of the SG they are required, and what effect that has on the willingness and ability of SGs to open accounts with FSPs.
- Determine what KYC requirements (e.g., ID, proof of residence, formal rule books, etc.) exist in different parts of Tanzania, and what effect that has on the willingness and ability of SG members to open accounts and procure services from FSPs.
- Compare urban and rural areas to understand how urbanisation affects the nature of different types of SGs, meeting frequency, their financial flows, and their desire for products from FSPs.

- Determine if there are other tendencies in the social, economic, and political environments (including politicisation of SGs) that are important in understanding the possibility of relations between FSPs and SGs.

Implementation

- Determine how SGs, particularly non-facilitated groups, perceive FSPs.
- Rank the confidence that SG members have in different information channels (including person-to-person communication from INGOs and NGOs and FSPs).
- To the extent possible, determine the value added by intermediaries (INGOs, NGOs, and apex bodies).
- To the extent possible, determine the optimal ways for FSPs to deliver information about their products and services to SGs and their members.
- Assess the amount of external inputs (if any) that are necessary or desirable in peer-to-peer SG formation.
- Among facilitated groups, assess the opportunities of FSPs dealing directly with SGs without INGO, NGO, or apex intermediation, and assess how these opportunities may differ among between VSLAs, SILC groups, and VICOBAAs.

Annex B: I/NGOs and apex key informants

| No. | Name | Organisation | Designation | Area of operation |
|-----|------------------|---|--------------------|--------------------------|
| 1 | Salma Abdallah | JOCDO | Programme officer | Zanzibar |
| 2 | Adili Lumaliza | ECA | Programme officer | Iringa |
| 3 | Ramadhani Ahungu | ASMET/Tanzania Informal Microfinance Association of Practitioners | Executive director | Dar es Salaam and Iringa |
| 4 | Richard Ngate | VICOBA FETA | Secretary | Tanzania Mainland |
| 5 | Benson Wadelanga | PESCODE | Executive director | Dar es Salaam |
| 6 | Atuseye Nyaga | Community-based trainer (former TUNAJALI trainer) | | Iringa |

Annexes C–H: Research instruments (see separate file)

Annex C: Screener

Annex D: Member questionnaire

Annex E: Group member FGD guide

Annex F: Group chairperson in-depth interview guide

Annex G: Apex body/NGO IDI guide

Annex H: CDO IDI guide

Annex I: SG global outreach report (see separate file)

About the SatF consortium

This programme is being implemented by OPM in collaboration with Bankable Frontier Associates, MicroSave, PSD Consulting, Development Pioneer Consultants and Kadale Consultants.

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