

Savings at the Frontier (SatF)

A Mastercard Foundation partnership with Oxford Policy Management

Project Briefing: TCB Bank – Digitising Informal Savings Mechanisms

Introduction

SatF is supporting TPB Bank Plc (TPB) to enable more Tanzanians in rural and peri-urban areas to save money safely and conveniently through their mobile phones. TPB was the first bank in Tanzania to introduce mass-market mobile banking, with a product called *TPB Popote*. It has now created a group mobile platform that allows groups to save, take loans and make contributions to their social fund, all via their mobile phone. Savings groups are generally very far from traditional bank infrastructure. TPB's platform allows a group and its members to use technology to save digitally making saving safer, cheaper, more convenient and more transparent.



SatF Institutions Lead, Steve Peachey, and TPB CEO Sabasaba Moshingi

What difference will SatF's support make?

SatF is working with TPB to build an active user base for its group mobile platform and improve the link between the platform and the Popote individual mobile account. The programme is also supporting them to link the platform with mobile network operators (MNOs) in order to maximise potential reach. SatF will help them purchase a mobile banking gateway so they can have more control over pricing: before the project started, TPB worked through an aggregator for the operation of the gateway. The new gateway will enable TPB to lower the cost per transaction by 60 per cent for groups using the group mobile

platform. Deeper integration with MNOs will further reduce the costs facing customers. Through the project, TPB will also improve the functionality of the platform by adding a group mobile application for peri-urban and urban groups in addition to its USSD platform service in rural areas. Once all the infrastructure is in place, SatF will support TPB to reach scale, creating financial linkages with over 50,000 new rural and peri-urban customers by 2020.

How will this project benefit ISM users?

This project will bring more affordable and secure savings services to groups and their members in peri-urban and rural Tanzania. All group members will be able to have a digital footprint for a relatively low cost. For those who want it, there will be a pathway from the entry-level virtual sub-account to a fully mobile-enabled bank account. TPB have been able to reduce the total cost of using the accounts with a projected cost per group created of under US\$10 and their ultimate aim is to get the cost of sending digital value to the entry-level virtual sub-account low enough to make it a viable alternative to handing over cash. Once this is possible, it becomes feasible for group members to overload virtual accounts



Training of TPB loan officers in Ruvuma, Tanzania

with more than they need purely for their group business and have the surplus credited to their own individual fully mobile-enabled POPOTE account. This can then be used at relatively affordable terms.

The key gaps that stop ISM users accessing formal finance in Tanzania will be addressed as follows:

- **Proximity:** TPB will ensure that mobile money agents are within reasonable reach of group customers and have transaction capability. They will do this by exploring options to develop an agent e-float loan product that is linked to the group deposit patterns of the surrounding customers. They will also initially subsidise mobile money agents' commission for serving TPB customers and explore options to cover initial transportation costs for agents that are willing to follow groups to where they are until the agent sees the business case for serving group members; and
- **Affordability:** with the new mobile gateway, TPB is expecting to lower the cost per transaction by 60 per cent for the groups using the group mobile platform; the CMS solution is expected to be cheaper for the customer by about 66 per cent compared to the platform, while full integration with an Mobile Network Operator (MNO) has the potential to waive all group-to-member and member-to-group costs for customers/ groups using the same mobile money provider.

How can this be profitable for TPB?

TPB's objectives are more ambitious than their targets under SatF. The bank aims to reach 10,000 to 15,000 groups with 250,000 members taking up some sort of link with TPB and 200,000 of these visibly active by end 2020. These new customers (including those from urban areas) will generate revenue for the bank. Three funded bank field teams (promoting groups) will be in place by the end of 2018 which will create the net revenue needed to fund more field teams without direct SatF support by mid-2019.

Why the project was approved

The SatF team are particularly excited by this project as it has a specific focus on starting with groups in peri-urban and rural locations in Tanzania, rather than starting with urban groups and then moving to peri-urban and rural areas. It is also interesting as TPB have worked with third parties (INGOs, aggregators etc) in the past to deliver linkage but now want to see if they can do this more effectively – and cost-effectively – by bringing everything in-house. SatF see this as an ambitious but not foolhardy move, which is a response to more than three years active experience of trying to make the partnership-led model work. This project offers the perfect test of whether an FSP in the lead without a supporting NGO/ apex can deliver active linkage that sustains itself at the basic level, helps digitise groups and adds in genuine individual access for group members.

**The Tanzania Postal Bank Plc. (TPB) is a licensed commercial bank in Tanzania with roots in one of the oldest banking institutions in the country. The bank currently has 12,000 active groups and 48,151 active individual member accounts making it the biggest player in group linkage business in Tanzania.*

**TPB bank Plc*



TCB HAS CREATED A GROUP MOBILE PLATFORM THAT ALLOWS GROUPS IN TANZANIA TO SAVE, TAKE LOANS AND MAKE CONTRIBUTIONS TO THEIR SOCIAL FUND. PEOPLE CAN SET THIS UP FOR THEMSELVES USING THEIR MOBILE PHONE OR BE SUPPORTED TO DO SO BY A TCB TRAINER.

