Unlocking the Potential of Digital Products to Enhance Financial Inclusion

September 2024

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Introduction

The United States Agency for International Development (USAID)'s Bureau for Humanitarian Assistance (BHA)-funded Graduating to Resilience Activity (the Activity) in Uganda developed a robust learning agenda to drive evidence generation and facilitate Activity implementation and adaptation. This technical brief documents how the Activity piloted, refined, and scaled up the digitization (conversion from non-digital to digital format) and digitalization (linking a digital application to a financial service provider) of village savings and loan associations (VSLAs) to increase access to formal financial services. The brief draws on quantitative and qualitative data and highlights lessons learned and recommendations for those looking to adapt and enhance digitization and digitalization processes. To view other technical briefs in this series, series please visit: www.avsi-usa.org and www.air.org.

Key Takeaways

The promise of safety and security that digital systems offered, and the Activity's efficient coordination facilitated uptake of digitization efforts

VLSAs that opted to digitalize could access formal bank loans and larger value loans

Barriers to implementation and uptake of digitization and digitalization included:

- Duplicative systems and challenges with coordination between banks and fintechs
- Insufficient training to support VSLAs to build digital and financial skills
- Lack of internet connectivity and issues charging and maintaining phones
- Language barriers and low literacy levels

Implementers looking to enhance and scale up the digitization process should:

- Introduce digitization and digitalization to VSLAs when they are established
- Understand the needs of VSLA members before implementation
- Provide structured, phased, and consistent training to support VSLAs' transition to digital systems
- Involve local government officials and stakeholders to drive local ownership and sustainability

Global Context

Despite general trends toward greater digital finance access,[1] there were 1.4 billion people (24 percent of adults) globally as of 2021 without access to mobile money or bank accounts.[2] Reasons for not having an account with a financial institution or mobile money account include lack of money, lack of a mobile phone, distance to nearest financial institution, and insufficient documentation.[3] Individuals without bank or mobile money access miss the potential benefits of greater access to credit and accumulating savings, which increases resilience to cope with financial shocks.[4] Lack of access to financial services is a particular challenge for refugee populations in host countries because it can limit their ability to receive wages, keep savings secure, access credit to start a business or income-generating activity, and securely send or receive money.[5]

KEY TERMS[6]

DIGITIZATION

Digitization: The act of converting something non-digital into a digital format that can be used by a computing system. For VSLA groups, this is primarily shifting from using a paper-based ledger book for records to using a digital record-keeping system, typically facilitated by a fintech.

Digitalization: Linking a digital application to a financial service provider. In this report, digitalization refers to the process of a VSLA group opening a bank account, having their mobile money number linked to the bank account, and being able to have members contribute to the group account and access funds with mobile money. This process is facilitated by a fintech and mobile network operator using a three PIN authentication where three VSLA leaders (chairperson, secretary, and treasurer) must approve loan requests.

WALLET TYPE

Digital wallet: A secure technology that holds information to allow the user to make an online purchase to replace a physical debit or credit card.

Mobile wallet: An app-based wallet available on a mobile device such as a mobile phone or tablet, linked to a specific service using an e-wallet system and linked to a bank account.

E-wallet: A combination of a digital wallet and a mobile wallet but can also store a balance or credit. Funds can be deposited into the e-wallet via a transaction or access to a user's bank account and held there for future electronic transactions.

PHONE TYPE

Basic mobile phone: Provides ability for calls and text messages but does not offer advanced features such as apps or e-wallet systems.

Feature phone: Allows for calls and text messages, and some smartphone features such as social media access and internet browsing.

Smartphone: Provides all capabilities of a feature phone with more capabilities for software, internet use, and multimedia music, video, camera, and gaming functions.

[1] The number of adults without a bank account or mobile money access has declined from 2.5 billion in 2011 to 1.7 billion in 2017 (Asti Demirgüç-Kunt et al., "The Global Findex Database 2021," 2022).

[2] Asti Demirgüç-Kunt et al., "The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19," Washington, DC: World Bank, 2022. https://www.worldbank.org/en/publication/globalfindex/Report.

[3] Demirgüç-Kunt et al., "The Global Findex Database 2021," 2022.

[4] J-PAL, "Digital Financial Services to Improve Formalized Access and Inclusion," last updated June 2024, https://tinyurl.com/y9rdru2t

[5] Micol Pistelli, "Gaining Ground on Refugee Financial Inclusion through Advocacy, Innovation and Partnerships," UNHCR blog, 2023. https://tinyurl.com/y2usfs87

[6] U-LEARN, Uganda Cash Working Group, Uganda Livelihoods & Resilience Sector Working Group, UNCDF, Grameen Foundation, USAID, and UKAid, "Digital Savings Groups: A Learning Brief," 2022.

Ugandan Context

Although access to mobile money and bank accounts has increased in Uganda over the last decade from 20 percent of adults in 2011 to 66 percent of adults in 2021, there is still a gap, with about one-third (34 percent) of adults lacking access to mobile money or a bank account.[7] Much of the increased access has been driven by mobile money accounts, which do not require having a bank account, with only 37 percent of adults having a financial institution account, compared to 51 percent of adults having a mobile money account in 2021 in Uganda, an increase from 35 percent in 2014.[8] Individuals living in urban areas are 12 percentage points more likely to have an account than people in rural areas (61 percent in rural areas compared to 73 percent in urban areas).[9] **Key reasons for lack of access to a bank account include physical distance, cost of services, and identification requirements.**[10] For refugees, having the required documents to open a bank account in Uganda can be particularly challenging. A 2022 study of bank account access in Uganda found that although few refugees (17 percent) and surrounding host community members (15 percent) had a bank account, there was greater use of mobile money among refugees (64 percent) and host community members (75 percent).[11] The same study found high levels of illiteracy or low education in refugee (64 percent) and host (67 percent) communities.[12] Documentation is also needed for SIM cards, which can facilitate access to mobile money accounts and transfer services. In 2019, the Uganda Communications Commission issued a directive to mobile network operators providing guidance on issuing SIM cards to refugees to improve access and address barriers based on documentation requirements.[13]

With mobile phone ownership and access becoming more widespread, covering 76 percent of adults in Uganda,[14] banks are looking to use mobile money products to increase access to financial services. Mobile phone ownership is more prevalent in urban areas (86 percent) compared to rural areas (68 percent).[15] There is a trend of increasing mobile money agents, with an average of eight agents per village, who provide dual roles for mobile money and bank agent services.[16] There is greater potential for using mobile phones or internet to send or receive money with a financial institution account, with only 41 percent of individuals in Uganda doing so.[17] In Kenya, Bangladesh, and Mozambique, access to mobile money has allowed individuals to send money, reducing remittance transaction costs and improving resilience to income shocks by increasing savings.[18]

[7] Demirgüç-Kunt et al., "The Global Findex Database 2021," 2022.

[8] World Bank Group, "Global Findex Database 2021 survey headline findings on account ownership," n.d., https://tinyurl.com/54aze92u

[9] World Bank Group, n.d.

[10] Susan Johnson and Nino-Zarazua, M. M., "Financial Access and Exclusion in Kenya and Uganda," The Journal of Development Studies 47, no. 3 (2011): 45-496.

[11] Uganda Learning, Evidence, Accountability, and Research Network (U-LEARN), "Financial Services in the Uganda Refugee Response: An Assessment of User Perspectives," 2022, https://tinyurl.com/2pysa2u8

[12] U-LEARN, 2022.

[13] UNHCR, "UNHCR Welcomes Uganda Communications Commission Directive to Improve Refugees' Access to SIM Cards," press release, August 20, 2019, https://tinyurl.com/26cr2hkn

Trial Associate Award. 2022. Endline Report of the Resilience Food Security Activity Graduating to Resilience in Uganda, Cohort One. Washington, DC: The TOPS Program.

[14] World Bank Group, n.d.

In western Uganda, a pilot study of digitization for VSLA groups saw increases in members owning mobile phones and opening bank accounts, with 58 percent of members applying for a digital bank application but only 32 percent signing up and 16 percent activating a digital sub-wallet.[19] Although the introduction of mobile money has been effective in other contexts, including in East Africa, there were constraints and limited uptake of mobile money in remote areas of northern Uganda. One pilot study did not find increased usage with a rollout of mobile money agents because of low rates of mobile phone ownership but did find increased value of remittances.[20] Other initiatives in Uganda include the Financial Inclusion for Refugees Project (FI4R) tracking finances of refugees in order to develop financial products and services tailored to refugees in the West Nile region and Isingiro District.[21]

Given the constraints that individuals, particularly refugees, face to accessing mobile money, one avenue that banks are exploring is setting up accounts with VSLAs. This approach of linking savings groups to microfinance institutions is being piloted in Uganda and in other countries such as Ghana, Rwanda, Sierra Leone, Tanzania, and Zambia with savings group linkage loans and bank accounts.[22] There are two models of linkage banking where financial service providers are linked to savings and lending communities: (a) with non-governmental organization (NGO) support, and (b) without support from NGOs. In the model with NGO support, there is a greater focus on savings and the NGO often facilitates formation of VSLAs, provides training to VSLA members, and provides support to both VSLAs and financial service providers such as banks to

The Activity worked with 554 VSLAs over the seven year implementation period to increase participants' access to financial products and services. Photo: AVSI.

[15] Uganda Bureau of Statistics, "Uganda National Household Survey 2019/2020 Report," 2021, https://tinyurl.com/mr25vzxb

[16] Uganda Communications Commission, "Market Performance Report 4Q FY2022/23 (April – June 2023)," https://tinyurl.com/yt4xsxhk

[17] World Bank Group, n.d.

[18] J-PAL, "Digital Financial Services," 2024.

[19] CARE International – Uganda, "Digital Sub-Wallets for Increased Financial Empowerment of Women Pilot Report Summary," 2017. https://tinyurl.com/4rs8u7mk

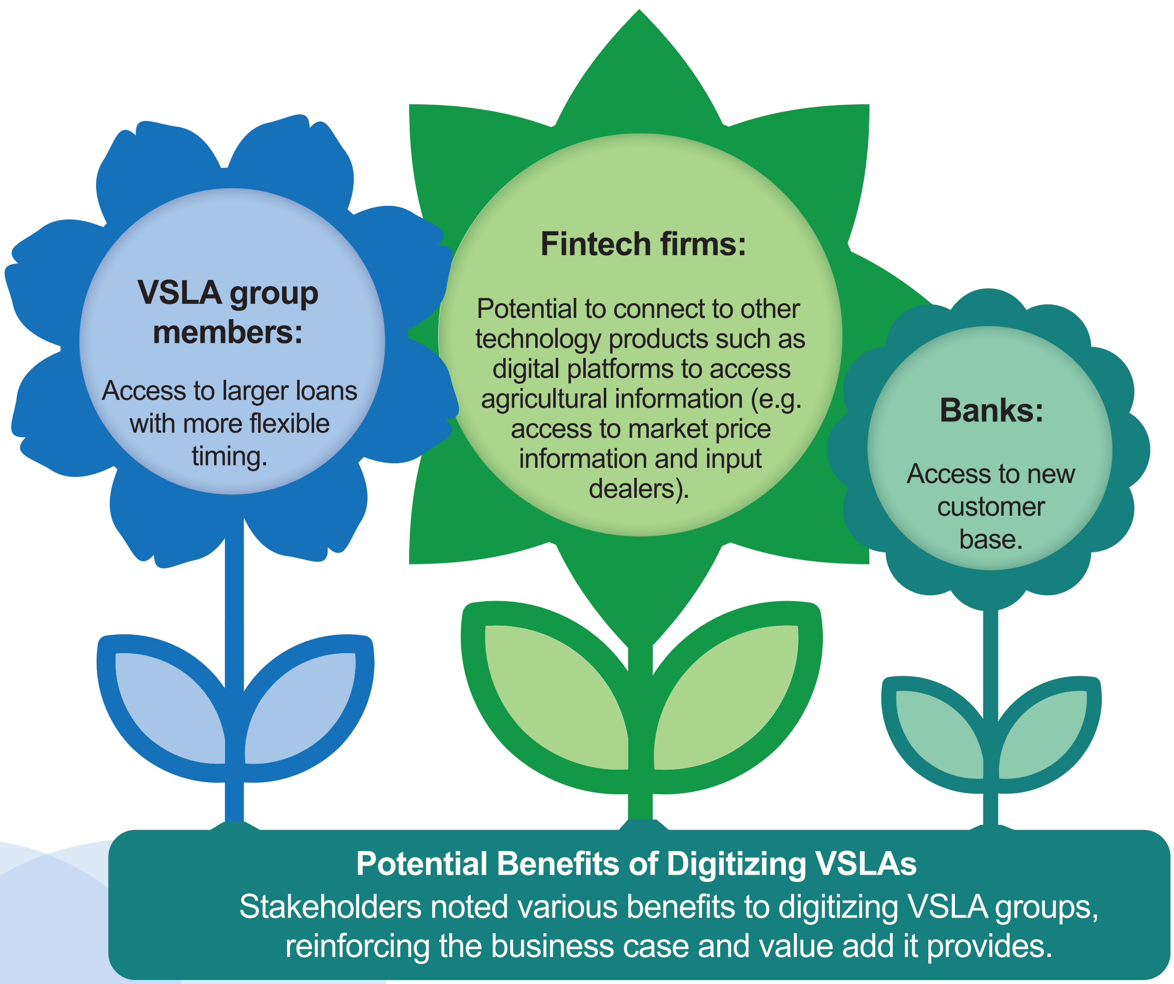
[20] Christina Wieser et al., "The Impact of Mobile Money on Poor Rural Households: Experimental Evidence from Uganda," World Bank Policy Research Working Paper 8913, 2019,

[21] FSD Uganda, "Financial Inclusion for Refugees," n.d., https://tinyurl.com/3fmrw6dv

[22] Karen Lewin, "Expanding our Cashbox: Linking Saving Groups to Financial Services," 2019, Vision Fund International, https://tinyurl.com/ta75m9wh

promote linkages.[23] In the second model, there is a greater focus on credit, there is no NGO support to link VSLAs to financial service providers, and the financial service provider has either facilitated formation of the VSLAs or the VSLAs have evolved on their own.[24]

VSLAs are an effective and sustainable tool for helping households increase their savings, however, they have limitations including security challenges, limited funding, and time constraints. A VSLA assessment conducted in 2019 in Uganda found that 58 percent of VSLAs had experienced a financial loss because of theft of group savings.[25] Since VSLAs are dependent on individual contributions from members of the community, those looking to make larger or longer-term investments may not be able to do so through community resources alone. Lastly, VSLA members are constrained by the time period for taking a loan and paying it back. Promoting linkages between VSLAs and formal financial institutions could help mitigate these limitations, providing more security for VSLA members' savings as well as access to credit and larger loan amounts.



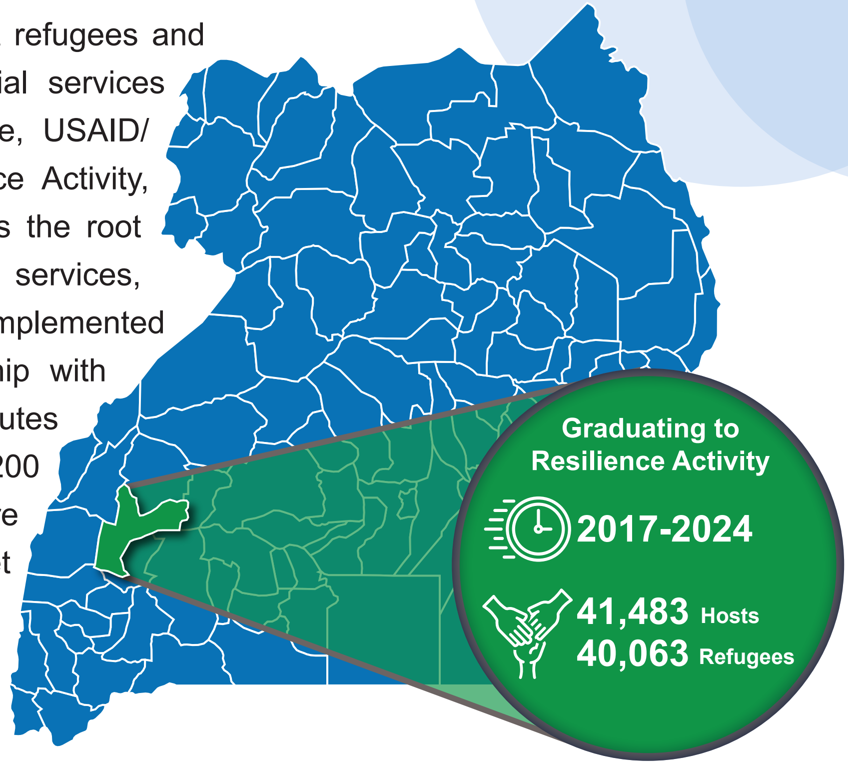
[23] Martin Agaya, "Linkage Banking in Uganda: Financial Sector Deepening Uganda and Financial Sector Deepening Zambia," FSD, 2018.

[24] Magunda Hilary and Christian, B. J., "The Microfinance Sector in Uganda: Journey, Experiences, Lessons, and Outlook," International Journal of Multidisciplinary Comprehensive Research 3, no. 1 (2024): 99–121, https://doi.org/10.54660/IJMCR.2024.3.1.99-121

[25] USAID &AVSI Foundation. (2019). Village Savings and Loans Association (VSLA) Assessment. https://pdf.usaid.gov/pdf_docs/PA00TRWH.pdf

Graduating to Resilience Activity

Understanding the unique challenges that refugees and the rural poor face in accessing financial services and the potential benefits they can have, USAID/BHA funded the Graduating to Resilience Activity, which sought to help households address the root causes of poverty and access essential services, including financial services. The Activity, implemented by AVSI Foundation (AVSI) in partnership with Trickle Up and the American Institutes for Research® (AIR®), engaged 13,200 households in Kamwenge District that are economically active but unable to meet their basic needs consistently without some form of assistance. Using a woman-plus-household graduation approach, the Activity provided an integrated mix of interventions, including coaching on life and other key themes, core technical market skills training, farmer field business school, financial and digital literacy, enterprise section planning and management, food consumption support, asset transfer, business coaching, and savings and financial inclusion through VSLAs.




At the end of each savings cycle, group members received the money they contributed to the VSLA plus any interest accumulated throughout the cycle. Photo: AVSI.

The Activity piloted the digitization and digitalization of VSLAs in an effort to increase access to formal financial services. VSLAs could use a mobile app to create a digital log of deposits, withdrawals, and repayments. The digitization process could create a credit history to be shared with traditional financial institutions to promote opening bank accounts to provide greater access to larger loans and other financial services. The approach, described in more detail below, was piloted in Cohort One and refined and scaled up during Cohort Two based on lessons learned.

Implementation Strategy

Cohort One Pilot

The Activity piloted VSLA digitization in Cohort One with 100 VSLA groups. For Cohort One, the Activity contracted with private sector fintech firm, Ensibuuko, to digitize the VSLA groups and with MobiPay Agrosys to develop an online integrated market information management system. The VSLA group leaders were trained, provided with a smartphone, and supported to migrate their paper-based VSLA records into the digital platform. Each participant received a SIM card as part of the Activity. As the Activity was ending direct support to VSLA groups in Cohort One, Ensibuuko established a network of community-level support structures with Digital Champions to provide technical support to the groups outside of the Activity. **As of September 2021, the Activity estimated that 52 percent of the 100 pilot groups had adopted the use of technology to transact and keep records of their VSLA transactions. Among the 48 percent of groups that did not adopt the digital system, reasons included faulty phones that could not read SIM cards, challenges with login credentials, poor internet connectivity, high cost of internet data, and limited support from the Digital Champions.** The fintech provided weekly data bundles to all VSLA groups to facilitate their meetings and help mitigate data access challenges. The Activity continued to work with the fintech to replace faulty phones, design and roll out an offline version of the system, and facilitate the Digital Champions to intensify support to all VSLA groups with a focus on those that had not adopted the digital system. **According to an internal assessment, 44 percent of VSLAs had established a relationship with a formal financial institution.**[26]

Lessons Learned: Cohort One Pilot

- Ensure each participant has a functional feature phone.
- Review internet connectivity needs.
- Provide adequate training and support for VSLA members to use a new digital system.
- Start working early with fintechs and banks because the process may take a long time.
- Test digitization and digitalization with a smaller group before expanding.

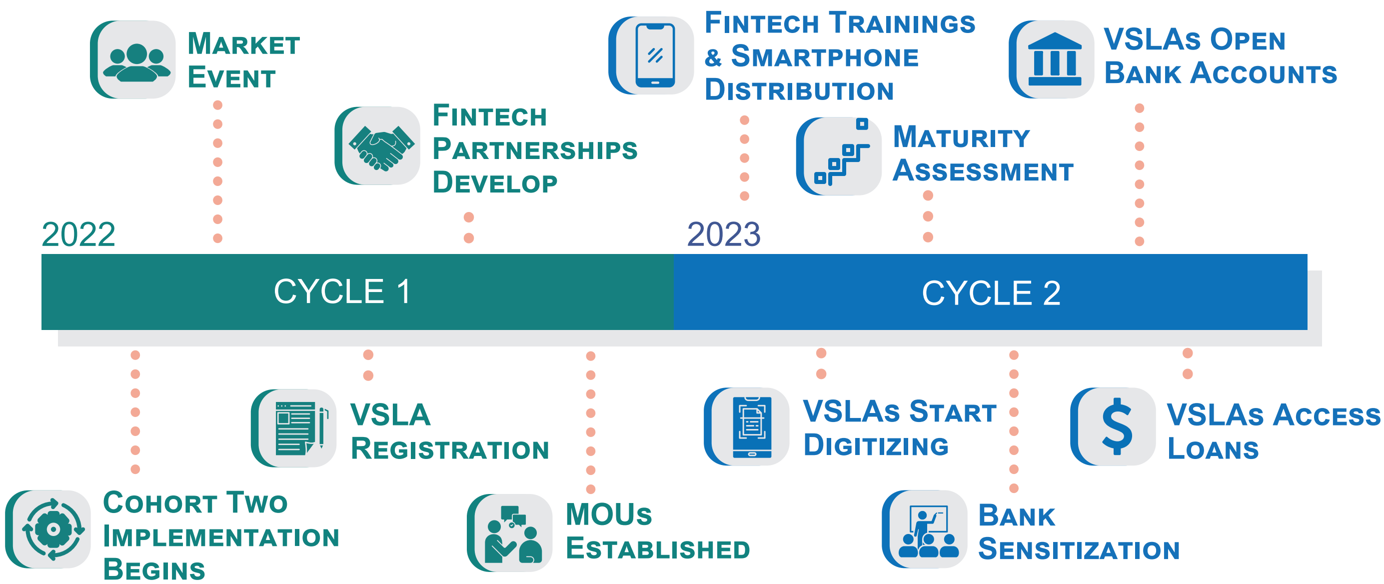
During Cohort One, the Activity piloted the digitization process with 100 VSLAs. As part of the process, the Activity incorporated digital literacy training to encourage uptake. Photo: AVSI.

[26] VSLA Assessment (2019).

Cohort Two Refinement and Scale-Up

Based on lessons learned from the Cohort One pilot, the Activity refined its digitization and digitalization approach and scaled up to include all 288 VSLA groups (154 host, 134 refugee) in Cohort Two. Cohort Two spanned two saving and loan cycles, each averaging nine to twelve months. The overall implementation timeline for both savings cycles is shown in Exhibit 1 below. In Cycle One, VSLAs continued to use traditional, paper-based methods as the Activity developed new partnerships with fintech companies and signed memorandums of understanding (MOU). Delays in rolling out the updated and scaled digitization and digitalization approaches pushed Activity implementation to Cycle Two. In Cycle Two VSLAs were trained on digital and banking systems to help transition to digitization and digitalization.

Exhibit 1. VSLA Formation, Digitization, and Digitalization Timeline, 2022-2023



VSLA registration

All VSLA groups were formally registered, with assistance from the Activity, prior to deciding to open an account with a bank. The Activity assisted VSLA groups with documentation requirements needed for banks, including coordinating with the Office of the Prime Minister for a letter of recommendation for refugee VSLA groups.

Fintech partnership development

Because of challenges with digitization with Cohort One, the Activity shifted to working with the fintech company, MobiPay Agrosys Ltd, to digitize VSLAs in Cohort Two. MobiPay had already been working with the Activity to create the AgroBase market information system. **In Cohort Two, MobiPay was asked to integrate a VSLA digital platform into AgroBase to provide a one-stop center for VSLA digitalization and the market information system.** MobiPay had also piloted digitization and digitalization with VSLA groups in the Nakivale refugee settlement in Isingiro district in Uganda in collaboration with AVSI, finding success with digitization, but meeting some challenges with bank linkages for digitalization.

Mobile phone distribution[27]

To facilitate the digitization and digitalization process, the Activity provided one smartphone to each of the 288 VSLA groups to use during group meetings for digital records. Additionally, all VSLA group members received a feature phone that could be used to submit savings and request loans.

Exhibit 2: Types of Phones

Financial institution partnership development

The Activity hosted a market event where banks in the region were invited to meet participants and share information about their services. After the Activity had identified financial institutions in the area, the market event also allowed for promoting contacts and personal connections between participants and local financial institutions. Following the market event, the Activity signed an MOU with Equity Bank and Bank of Africa to work together to digitize and digitalize the Activity's VSLA groups. Although no formal partnership was signed with Opportunity Bank, which opened a branch in Rwamwanja, or the Kyamuhunga Peoples Saving and Credit Society (KYAPS), a savings and credit society (SACCO) that opened in Biguli in the host community, the Activity worked with both financial institutions since some participants were interested in these options for accounts, and reviewed products and services available.

The Activity distributed one smart phone to each VSLA group to facilitate the digitization process. As part of the consumption support, all participants were provided a basic mobile phone. Photo: AVSI.

VSLA maturity assessment

During the second savings cycle, the Activity conducted a VSLA maturity assessment to determine which VSLAs were ready to be connected to formal financial institutions. According to the assessment, **after the first cycle, 119 groups (41 percent) were rated "excellent" and recommended to be linked to formal financial institutions** for greater security and qualified for credit

[27] Uganda Communications Commission. Market Performance Report 4Q FY 2022/23 (April-June 2023). https://tinyurl.com/yt4xsxhk

access. The remaining **169 groups (59 percent) were rated "good" to be linked for security and later reassessed to qualify for access to credit.** This was conducted before proceeding with linkages between banks and VSLAs.

Digitization training

The Activity employed a training approach whereby one to three members from each VSLA were selected to participate in training conducted by the fintech firm on the digital platform using the one smartphone provided for each group. Typically, those selected for training were VSLA leadership, including the chairperson, secretary, treasurer, and another member. The selected members were trained by the fintech firm on the advantages of digitizing their records and how to digitize the group records using the application, and were provided with personal identification numbers and identification cards (IDs) as requirements for opening accounts both as an individual and as a group. **These members were then responsible for disseminating the information to their fellow VSLA group members.** All VSLA members had feature phones and received unstructured supplementary service data (USSD) training to save money or request loans using feature phones.

Approaches to Digitization Training

Implementing partners, banks, and fintech companies have different approaches and methods for training VSLAs digitization process, including:

Digitial Champion Approach

Provide in-depth training to one or a small number of members of the VSLA group who is then responsible for training fellow group members. This approach was used by the Activity.

Group Training Approach

Provide standard training to all VSLA members.

Early Adopted Approach

Identify members who can serve as early adopters of the process and train and empower them to promote adoption with the VSLA group.

Training Videos & Animations

Use five to ten-minute videos and animations for training to prompt questions among participants.

Digitization of VSLA records

VSLA savings cycles range from nine months for refugee groups to twelve months for host community groups. During a savings cycle, participants enter and withdraw money as needed. At the end of the savings cycle, all funds, including interest accumulated during loan periods, are distributed to members who can then choose to save the money in another cycle or withdraw the money. **To ease into the digitization process, the Activity decided to have all VSLA groups proceed with one savings cycle using traditional paper-based records before transitioning to a second savings cycle using a digital system for records.** During the second savings cycle, VSLA groups began to digitize their records using the MobiPay platform. Using the platform, VSLA members could view records of all members including records of transactions, savings, borrowing, and fines.

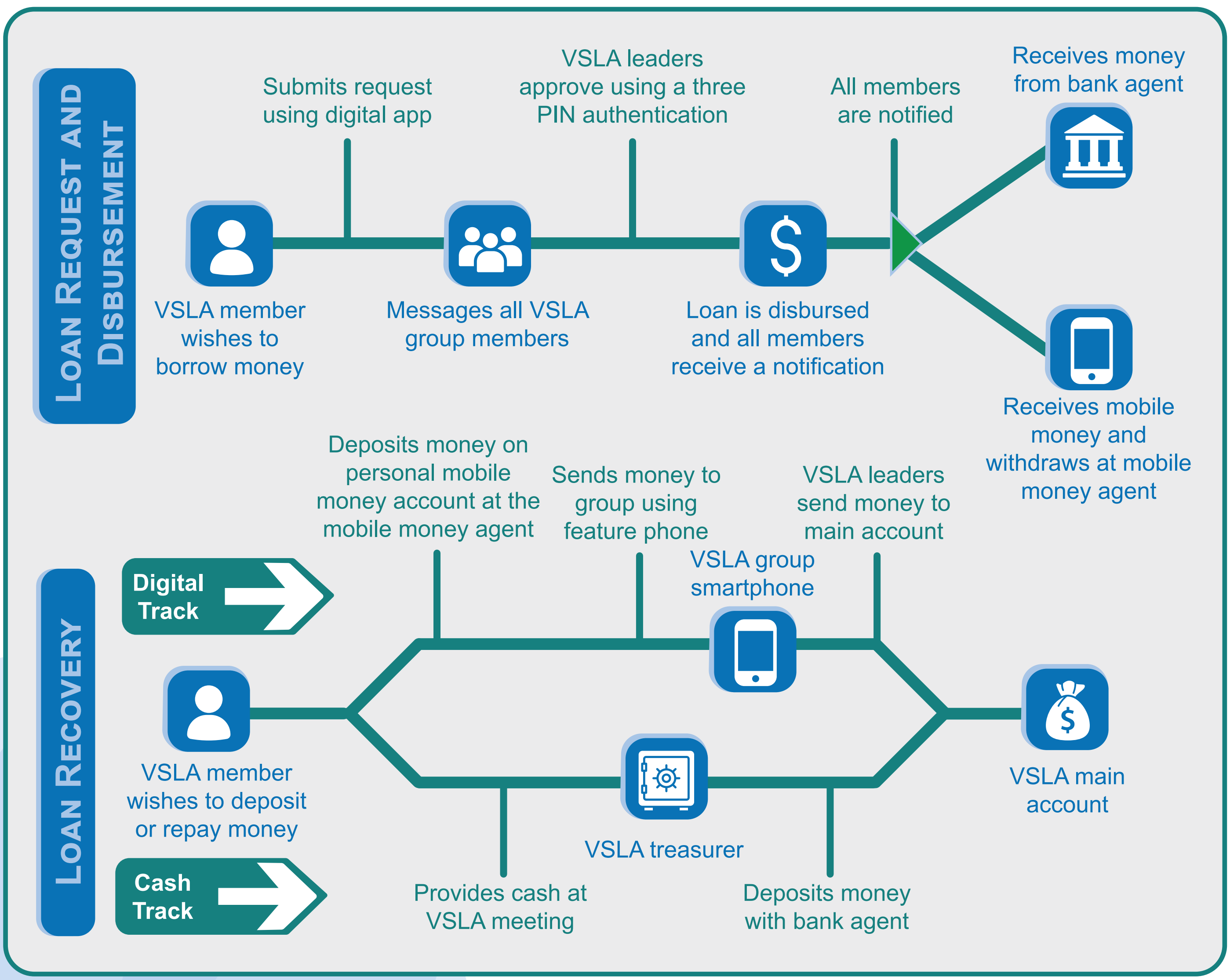
Bank sensitization

All VSLA members were invited to participate in a bank sensitization facilitated by one of the banking institutions the Activity had developed an MOU with: Equity Bank and Bank of Africa. Lasting a day, the sensitization covered various topics including safety and security of digital platforms and bank services, different financial services, requirements and operation processes for bank accounts, financial literacy, and the advantages of digitization and tailored service portfolios for VSLA groups.

VSLA loan process with digitization and digitalization

With feature phones, VSLA members could request loans and submit savings as shown in Exhibit 3. For each group, three signatories—including the chair, treasurer, and secretary—signed in to the platform using the smartphone. The smartphone was kept in the locked box with any cash or ledger books. The smartphone would be taken out of the locked box for use during VSLA seatings or to charge, and then returned. MobiPay set up the system for the VSLA groups including initial data on savings, loans, fines, and group name, linked to the smartphone line for each VSLA group.

Exhibit 3. Process for VSLA loan requests, disbursements, and recovery



Assessment Methods

To better understand the effects of VSLA digitization and digitalization, the Activity conducted a mixed methods assessment. The Activity team reviewed the following:

- **VSLA monthly monitoring data**, which included information on group membership, loans, savings, and banking connections.
- **Document review** including findings from project documents, such as standing committee meeting notes, previous VSLA assessments, and reports and evaluations of other implementers conducting digitization and digitalization interventions.
- **Ten focus group discussions** with Cohort Two participants who participated in VSLA groups (four with refugees, six with host community members). The VSLA groups that were selected to participate had scored at least 75 on a maturity assessment indicating that they had strong group management and infrastructure. The focus group discussions were conducted in May 2024 with 97 participants overall.
- **Eleven key informant interviews** with representatives from banks, fintechs, international organizations, Activity staff leading the VSLA intervention, and staff from other implementing organizations not directly involved with the Activity but engaged in other digitization efforts.

VSLA members used share passbooks to track their personal contributions to and withdrawals from the VSLA fund. Photo: AVSI.

Assessment Objectives

This mixed methods assessment aimed to identify and unpack:

- Internal and external effects of digitization of VSLAs (e.g., financial and digital literacy, internal group conflict, flexibility, access to financial services and products)
- Key barriers and facilitators to implementing digitization
- Differences between host and refugee community participants for digitization and linkages to financial institution
- Lessons learned and recommendations for digitization.

Findings

Effects of Digitization and Digitalization

Because of delays in implementation, a majority of the mature VSLAs selected for Cohort Two had only just begun or were in the process of digitizing and digitalizing their finances. **According to Activity staff, 59 percent of VSLA groups successfully digitized VSLA records (digitization) and opened bank accounts with Opportunity Bank, Bank of Africa, Equity Bank, and KYAPS (digitizalization).** However, Activity staff and recipients noted that digitalization rates may be lower than the estimated 59 percent, as several VSLAs who had opened bank accounts did not end up using digital banking services. **Additionally, many VSLAs that had completed both fintech and bank sensitizations and trainings ultimately decided to opt out of digitalization due to implementation challenges and barriers.** Three VSLA groups received loans from Equity Bank amounting to $2,933 (11,000,000 Uganda shillings [UGX]). Given the delays and low reported use of digital VSLA records and bank accounts, at the time of the assessment, there were very few observed or realized effects of digitization and digitalization, although according to Activity staff, fintech, and bank representatives, the participating fintechs and banks planned to continue engagement with VSLA groups after the Activity ends. As such, in this section, we discuss the Activity's progress to date and highlight the potential effects of VSLA digitization and digitalization identified by Activity staff and participants. These findings provide insights into the lessons learned to help inform future digitization and digitalization programming.

Financial and Digital Literacy

Activity staff discussed how digitization could help VSLAs better understand how to use technologies and banking systems, including how to use smartphones and apps to calculate savings amounts. Sensitization on banking systems could also help facilitate knowledge of formal financial institutions and their function both for savings and loan groups and for individuals. For example, though many VSLAs opted out of digitalization, roughly 1,287 VSLA members (20.3 percent) opened accounts with formal financial service providers on their own. However, a majority of participants experienced a great deal of difficulty with

VSLA member contributions and withdrawals are tracked via a ledger book which is updated at each VSLA group meeting. During the digitization process, groups transfer the information from the physical ledge to digital platforms. Photo: AVSI.

understanding digital and financial systems. Participants noted that implementation and trainings were not sufficient to help facilitate digital or financial literacy (see section on Insufficient Training and Support), and thus felt they were unable to appreciate and understand digitization and digitalization.

Internal Group Conflict

According to Activity staff, digitization and digitalization offered the potential to alleviate internal group conflicts and enhance trust among members because of improved accuracy in recordkeeping and visibility of group financials. Transitioning to digital systems could help VSLA groups accurately keep a log of individual and group financials. This was particularly relevant during share-out when VSLAs distribute the group's collective profits from interest income and fines, proportional to each member's savings. Previously, these logs were manually calculated and subject to error, leading to delays and inaccuracies when distributing group profits. Digital systems, on the other hand, would enable groups to mitigate any calculation and misappropriation errors, thereby reducing possible sources of internal conflict. This sentiment was echoed by some participants, who remarked that digitization and digitalization could ease the burden and stress for secretaries or treasurers. However, this was prospective, and participants could not speak to its effect in practice.

Flexibility

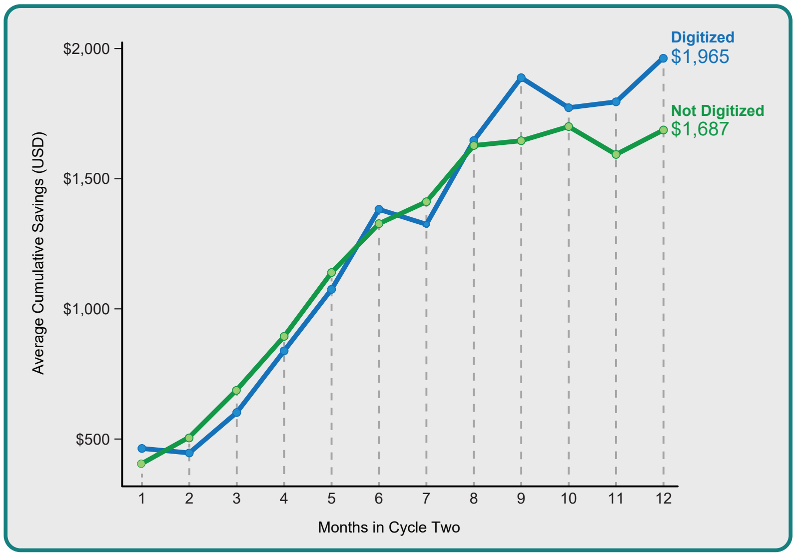
Activity staff said transitioning to digital systems could afford group members the flexibility to engage in transactions outside of VSLA meetings and prevent absentee-related fines. It also reduces the time spent in meetings conducting manual transactions. Attending VSLA meetings requires considerable time commitment—often up to three hours per meeting—and thus is not always possible for VSLA members because of other responsibilities. Some VSLAs also have internal rules and regulations where members are fined for not attending meetings. Since digitization and digitalization allow members to conduct transactions outside of meetings and engage in VSLAs on their own time, it reduces the required meeting hours, lowers the barrier for participation in VSLA groups, and minimizes the risk of absenteeism. This was supported by one participant, who said it could be helpful to engage in transactions outside of meeting times. Nevertheless, most participants conveyed a preference for conducting meetings in person and valued the social and collective nature of traditional VSLA practices.

> "Most of VSLA group members are farmers, or doing small petty businesses here and there, that might not give them time to participate physically in the savings groups. Their mobility is really constrained, since every week you have to be in the group meeting at a particular time. If you can't attend then you have a penalty or fine. With the digital platform you can continue with your businesses or whatever you're doing, you just log in to the platform when it is time, and continue participating without interfering with your business."
>
> *Activity Staff*

Access to Financial Services and Products

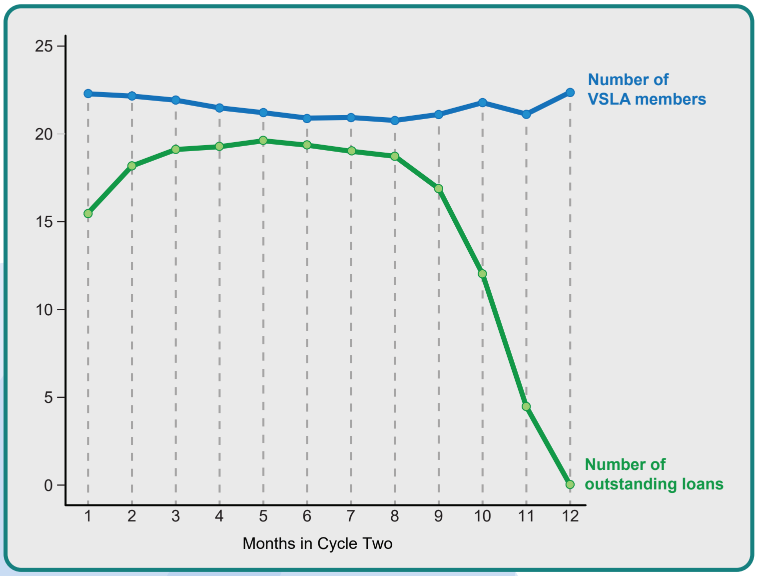
Access to financial services and products was one of the key effects that both Activity staff and participants said they had observed or experienced. **For the 169 VSLAs (59%) that opted to digitalize, having their financial records and credit history linked to formal financial institutions facilitated access to formal bank loans and larger value loans.** Although only a small number of VSLAs were able to access loans by the end of the Activity, in total three VSLAs received loans from banks, these loans, typically worth roughly $806 to $1,344 (three to five million UGX) per group, were significantly higher than loans accessible to VSLA members from the VSLA group. Banks were able to determine loan sizes based on each group's portfolio and assessed the feasibility of repayment. This was particularly beneficial for VSLAs in refugee communities, which traditionally face obstacles accessing loans from formal financial institutions. Lack of residency status and property or assets makes it difficult for banks to offer collateral loans to refugees. However, in lieu of collateral, banks were able to use VSLAs' digital financial records to generate credit histories and tailor loan services to meet VSLA needs.

Exhibit 4. Cumulative savings of VSLA groups with and without digitalization



Access to additional funds through loans has helped VSLAs finance income-generating opportunities, which has also increased VSLAs' collective profit. For example, VSLAs that chose to digitalize had higher cumulative savings ($1,965 (7,307,653 UGX)) by the end of the savings and loan cycle than VSLAs that chose not to ($1,687 (6,281,234 UGX)) by the end of the savings cycle as shown in Exhibit 4. Activity participants also remarked that digitalization increased their access to financial opportunities, through credit and loan services, beyond the groups' current capacities. A majority of participants acknowledged the limited capabilities of their group to fulfill the growing demand for larger

Exhibit 5. Outstanding loans for VSLA groups



loans to start or expand businesses. Digitalization provided these groups with the means to generate more income and expand their operations. Moreover, participants felt that banks offered favorable interest terms for both loans and savings—providing VSLAs a source of profit. As such, both Activity staff and participants noted that VSLA members have been able to pay their loans "with ease" and that a majority of VSLAs had no outstanding loans by the end of the loan period at the end of the savings cycle as shown in Exhibit 5.

Barriers

The Activity experienced several barriers that affected both implementation and uptake of digitization and digitalization. These barriers included implementation factors—such as collaboration challenges, insufficient training and support, and digitalization costs—as well as contextual factors such as internet and mobile phone challenges, misinformation, and language or accessibility challenges.

> "This is a new paradigm for some banks, which are used to customers walking into the bank and doing transactions. For now, we can't do digitalization without the bank accepting to work with a middleman or third party and it was a challenge for banks to be willing to do that."
>
> *Activity Staff*

Collaboration Challenges

Activity staff said lack of collaboration between banks and fintechs caused challenges and delays with implementation. Although the Activity coordinated with Bank of Africa and MobiPay, there were challenges with Bank of Africa and MobiPay collaborating with each other, with reports that there was supposed to be more integration of accounts and meetings that did not occur. In particular, banks were unwilling or hesitant to integrate fintech software into their banking process.

Banks and fintechs created duplicative digital systems for VSLAs, which made it difficult to integrate services and coordinate training. Banks developed their own digital platforms to help VSLAs open bank accounts directly with them. However, according to Activity staff, banking platforms did not support aggregating individual members' financial records into group financial records. Thus, including a third party or intermediary (such as fintechs) was crucial to help VSLAs digitize and then integrate their financial records into banking systems. Banks representatives also said that integrating fintechs into the banking process was counterproductive. But they also cited timing and possible fraud as key reasons for their hesitancy to collaborate. First, banks noted that fintechs were introduced to them late in the piloting process, after banks had already developed platforms to support VSLA digitalization. This made it difficult for banks to adapt to the new process and caused challenges when coordinating VSLA training. Second, one bank representative said some banks in Uganda had previously suffered fraud issues when partnering with fintechs. Though they specified that there were no concerns with MobiPay, these past experiences with other fintechs made them wary of collaborating with a third-party digital platform service provider.

Additionally, multiple actors noted that a lack of engagement of local government officials discouraged members from participating. Without local government buy-in, some VSLA members were worried that digitization and banking systems would not be supported after the Activity ends. Additionally, Ensibuuko, which was engaged with Cohort One, said the lack of local government involvement made it challenging to build longer term partnerships between VSLA groups and partners. Activity staff went on to say that involving local government early in the process would help facilitate sustainable systems and partnerships for VSLAs.

Insufficient Training and Support

Training delivery was not sufficient to properly support VSLAs to build the digital and financial literacy skills necessary for digitalization. Many VSLA members were not familiar with mobile phones and digital banking systems, and required significant, consistent support to acclimate to these devices and services. Although some VSLAs were able to improve their digital and financial literacy among members through sensitization, a majority of implementing partners, banks, and fintechs said that conducting one or two training sessions per VSLA was not enough to help VSLA members develop these skills. VSLA members said they had only been visited by community-based trainers from the Activity and bank trainers once for a preliminary visit to help participants set up their online banking system, but no follow-up visits were made to instruct them on how to use these systems and the devices that came with it. Additionally, VSLA members said they were not trained on how to properly use the digital banking systems once they opened a bank account. They discussed how, during the training, they were sensitized to understand the benefits of digital banking but the actual functionality of setting up a bank account and how to distribute funds on the platform was not illustrated. Insufficient training made it difficult for VSLA members to understand the digitization and digitalization process, and ultimately dissuaded many of them from using these services.

The Activity used a digital champion approach whereby one to three members of the VSLA were trained on how to use the mobile platform. Those individuals were responsible for cascading the training to the rest of the VSLA members. Photo: AVSI.

The digital champion approach was ineffective in promoting uptake and sustainability of digitization. Many VSLA members talked about the challenges of having only a few members take part in the digitization and digitalization training. Participants commented on how only training a few select group members was problematic: it created issues with understanding the ins and outs of digital records, phones, and bank platforms, which is essential to promoting group buy-in and trust not only of financial systems but of group members. Relatedly, the few trained members expressed similar concerns stating the instruction and facilitation proved insufficient for them to relay knowledge to their group members. Most described the training as rushed, providing limited opportunities for practice and familiarity with manipulating the applications. This insufficient interaction with the application under the instruction of the facilitator negatively affected their ability to grasp basic concepts and functions, which was essential in their ability to train their fellow group members who were not at the training. Additionally, the envisioned rollout or transfer of knowledge through the training-of-trainers approach was not realized because of several factors, including one-time-summary training, low literacy and digital literacy levels, mistrust of digital systems, and application and technology failures during training.

> Group members should not be trained only once, the fintech company needs to deploy, where possible the bank itself needs to deploy and have staff regularly visit VSLA groups, troubleshoot challenges related to their system and provide solutions that are hands-on with the groups so groups can adapt the technology and apply in day-to-day activities.
>
> *Activity Staff*

Logistically, Activity staff said training only one or a select few digital representatives from each VSLA also creates challenges for sustainability. The individual who was trained may drop out of the VSLA or, in the case of refugees, migrate out of the country. Though, ideally, digital representatives would transfer their knowledge to other VSLA members, in practice, this is not always the case. When digital representatives leave the VSLA, this causes issues with continued use of digital tools and services.

Lack of appropriate sequencing of training topics also disrupted uptake of digitization and digitalization. Activity staff also noted that fintech and bank training were delivered together rather than sequentially. This meant that participants were learning several systems and steps of the process at once. Respondents went on to say that having joint training sessions disrupted participant understanding and uptake of digital systems, and recommended staggering training sessions—providing training on digitization first followed by training on digitalization—to better facilitate knowledge and understanding of the new digital tools.

Internet Access and Mobile Challenges

Lack of internet connectivity and electricity access was a key challenge for implementation. Digital fintech and bank platforms are designed to operate online, but many VSLAs are located in remote areas where internet connectivity is not always consistent, especially in Cohort One. Some banks and fintechs tried to circumvent internet challenges by providing boosters and paying for internet connection during training. However, this was not sustainable because banks and fintechs could not continuously provide VSLAs with internet access. Additionally, VSLAs could not afford the cost of purchasing internet access or boosters once the training was over. In Cohort Two, to help mitigate this challenge, banks and fintechs provided an option to use feature phones for dial-in banking. Participants could use feature phones with USSD codes to save money or to request loans from the group account, but the VSLA group's smartphone would be needed to use the fintech platform or to interact with a bank account. Feature phones are significantly cheaper than smartphones and would eliminate the need for internet to access financial services. Nevertheless, feature phones still required participants to purchase data for dial-in banking and many struggled to use feature phones to access banking services. Additionally, in Cohort Two, the mobile network operator negotiated with the implementers to boost the network for participants in Kamwenge, and eventually proceeded with building a cell phone tower and upgrading the network to 3G, which boosted internet access.

Participants also faced challenges with faulty phones as well as maintaining and charging the phones. Many participants experienced phone glitches and malfunctions while navigating the application's interface.

Moreover, staff noted that many VSLA members did not have charging ports and had to use public charging ports to charge their phone, which sometimes comes with additional costs. **Difficulties with phones, charging, and application bugs alienated several group members from being able to use the digital systems, and ultimately pushed some groups to revert back to traditional VSLA methods.**

> …a few of us had the opportunity to be oriented on the MobiPay activities (application) and tried to support our fellow group members to ensure everyone could access the system. Out of 22 members only seven were able to succeed in accessing the system and others failed. That is why the majority said – these things have failed and decided to continue using our books since they never caused us any issues.
>
> *Host Community VSLA Member*

Misinformation and Negative Experiences

Many VSLAs were skeptical about digitization and digitalization, largely because of past experiences with banks and misinformation. Implementing partners, banks, and fintechs said many VSLA members previously engaged with financial institutions that were either fraudulent or closed down, resulting in VSLA members losing their money. Both Activity staff and VSLA members said some participants had heard, through word of mouth, that members of their community had been scammed by financial institutions. As such, Activity staff said VSLAs had misperceptions about the financial institutions brought into the Activity and feared digitalization would risk their savings.

VSLAs who opted to digitalize noted that lack of communication with financial institutions and the uncertainty of digital banking pushed many to stop using the platforms and revert back to in-person transactions. Many of the respondents who said they had opted to set up a bank account said they had paid the initial required fees to do so but had not received information about their actual account at the time of reporting. These delays, along with longer wait times to interact with banking customer service officials, created frustration with the digitalization process.

Negative experiences with financial institutions during sensitization led to mistrust in digitalization. First, navigating the digital application was difficult for many participants, which only increased their skepticism in the applicability of digitization. Furthermore, according to one respondent, after several failed attempts to log into the application, a facilitator encouraged those whose phones had failed to access the application to use another group member's phone. This solution, which appeared to breach privacy and security, only confirmed what many feared and suspected about digitization: its inability to meet their needs as a group and expose them to financial risk or fraud. Because of these negative experiences, respondents expressed a degree of mistrust in the digital platform. At times, VSLA members shared the feeling that the digital platform was not able to provide the same level of security and financial support or ease that the previous, in-person cash method could provide. Though rare, this influenced VSLA buy-in and use of the digital systems.

Banking Charges and Costs

Beyond the costs of purchasing internet and mobile data, transaction and banking costs posed a significant barrier to digitalization. Activity staff and participants both noted that, once VSLAs digitalize, they are subject to an initial fee to open up a bank account and added transaction fees—averaging 5–10 percent, or \$0.06—\$0.14 (210–510 UGX)—per transaction. The transactional charges, which recently increased because of changes in the national tax system, and the transportation costs for participants to travel to and from branches, provided steep fees that many VSLAs were unwilling to incur. For smaller VSLAs with less accumulated savings, the initial

The Activity collaborated with fintech companies and banks to sensitize VSLA groups to the digitization and digitalization processes and benefits. Photo: AVSI.

fee to open an account wasn't feasible and pushed many away from digitalization. Additionally, the prospect of paying fees to the mobile network operator and a tax to the Government of Uganda for every transaction led many VSLAs to feel that traditional cash transactions were a better option. However, the fintech was able to negotiate with the mobile network operator to remove transaction costs for depositing or saving money and only have charges for withdrawals of funds.

Language, Literacy, and Accessibility

Language barriers and low literacy levels made it difficult for VSLAs to engage with and use digital systems. Traditional, paper-based records were seen as more accessible and inclusive to VSLA members, particularly those who face language and literacy barriers. Often times, the digital and financial systems were only offered in English, as opposed to local languages, making it difficult for VSLA members to use the applications, whereas paper-based records were familiar and could be adapted to meet VSLAs' language needs. According to participants, this also made paper-based ledgers more inclusive to different members, as they could actively participate in recording transactions rather than feeling sidelined while using digital systems. Inclusivity and accessibility of physical records presented a strong argument in opposition to digitization. VSLA members noted that, despite the advantages of digitization, it isolated secretaries and treasurers—or those who were literate—from the rest of the VSLA group and caused tension in some groups. As such, some participants noted that their group still continued to create physical records to support the visibility and accessibility of financial records. Therefore, some participants viewed digitization as a duplicative process rather than adding value to the groups. Given the challenges VSLAs faced in transitioning to digital systems and VSLAs' familiarity with traditional methods, many participants expressed a preference for continuing with paper-based records and ultimately chose not to digitize or digitalize.

Facilitators

Despite the challenges and barriers, respondents identified two key factors that could help facilitate future uptake and implementation of digitization programming. These factors included: (1) the promise of safety and security that digital systems offered, and (2) the Activity's efficient coordination and management. Although the financial safety and security offered by digitization and digitalization helped facilitate VSLA buy-in, the collaboration and leadership capacity of the Activity implementer helped build trust and local linkages between VSLAs and service providers.

Safety and Security

Improved safety and security was a major incentive for groups to digitize and digitalize. A majority of the respondents said that digital records were safer and more secure than the physical records currently used. They emphasized that physical records are easily lost, destroyed, or stolen as opposed to digital records. This was equally extended to the importance of keeping savings

VSLA groups store their cash and ledgers in a secure lockbox. Photo: AVSI.

in banks and digital systems versus keeping savings in a locked cash box. VSLA treasurers, in particular, who are tasked with safekeeping the locked cash boxes, expressed the need to open a bank account to safeguard group savings. Several groups had suffered losses due to thefts and break-ins, particularly during the end of the cycle when the boxes are flush with group savings. This incentivized many groups to digitize and digitalize to ensure the safety and security of their savings.

Coordination and Management

The Activity implementer facilitated relationship building between banks, fintech firms, and VSLA groups. Several bank representatives discussed how the Activity helped them expand their operations and create systems that would link them to both rural and refugee populations. Banks appreciated the role the Activity played in facilitating VSLA group meetings for banks to provide sensitization, providing a smartphone for each VSLA group to facilitate digitization and digitalization, and assisting with registering VSLA groups and preparing necessary documentation for banks. Activity staff also noted good coordination with Equity Bank, especially having staff based in the Rwamwanja refugee settlement and recruiting community members as agents. This allowed for building rapport and trust with VSLA groups. This was seen as a significant success for the banks, which felt the Activity helped facilitate these connections and introduce local systems that would support implementation in the long run. As such, despite the implementation challenges and barriers to digitization, strong coordination by Activity staff helped build trust in VSLAs and establish more long-term relations between VSLAs and service providers in communities.

> We appreciate the program with AVSI, Graduating to Resilience, because it helps different entities to understand refugees. It has helped with having self-reliant lives, to have income-generating activities, to become people, to understand that refugee is just a status...That is what I love about that program, Graduating to Resilience. We should be able to support each other. We should look at scaling the program. As an institution, we have seen us progressing. Even with the pilot in Nakivale, now we have scaled up. Now we have a full-fledged branch there in Nikavale and in Rwamwanja we also hope to make it a fully-fledged branch and scale up.
>
> *Bank Representative*

Differences Between Host and Refugee

Activity staff identified key differences between refugee and host communities in terms of implementation, buy-in, and financial capacity. Although host community VSLAs faced more barriers accessing bank branches, which limited their options for digital banking, refugee VSLAs faced broader challenges that disrupted uptake of training, digital systems, and financial institutions. These differences highlight the disparity in building financial stability and resilience, particularly for refugee communities.

Banks noted that it was more difficult to establish presence and support for host community VSLAs given their location. **Banks said a key challenge for them was not having enough agents present in the community for VSLA group members to deposit money with an agent instead of traveling to a branch in Fort Portal.** This was an issue identified with Bank of Africa. Although Bank of Africa and Opportunity Bank were able to set up branches or have easily accessible bank agents and establish presence within refugee communities, they said the remote location of host community VSLAs prevented them from doing the same in those communities. As a result, although refugee VSLAs were able to open bank accounts with Bank of Africa and Opportunity Bank, many host community VSLAs had to rely on the presence of SACCOs for digitalization. Additionally, not all fintechs and banks had a presence in host communities and their remote location made it difficult for institutions to set up operations. As a result, several training sessions were delivered online or through a representative outside the community.

Language barriers complicated training and information dissemination efforts with refugee VSLAs. Specifically, partner banks encountered difficulties administering training to refugee groups because refugees often did not speak English and trainers often did not speak refugees' native languages. This made it difficult to conduct training without a translator. When translators were available, some banks said there was a risk that the training wasn't delivered as intended—for example, training materials that were developed in one language may not accurately translate to another language. This could also cause issues with digitalization uptake and buy-in for refugee groups.

Navigating bank requirements was a challenge to connecting refugees to bank services. The Activity faced obstacles connecting refugee VSLAs to formal financial institutions primarily because of documentation requirements and the location of refugee settlements. Financial institutions require formal ID in order to initiate a bank account; however, many refugees at the time of implementation did not have IDs that met the banks' qualifications. Banks faced difficulties coordinating with relevant authorities to access and verify refugee IDs. Refugee VSLAs also require additional documentation such as a letter of recommendation from the Office of the Prime Minister to access bank accounts, whereas host community VSLAs can obtain a letter from their local government authority. This created an additional step to verify refugee VSLAs for digitalization and made the process more streamlined for host communities.

Refugee VSLAs were more hesitant to digitize and digitalize due to the unpredictability of their residence and lack of confidence in digital systems. According to implementing partners, refugees were concerned with whether they would be able to access digital finances if they were to migrate back to their country of origin. Refugees were also concerned with how digitization and digitalization would affect their ability to operate as a group. Activity staff said refugees were more community- and group-oriented than host community VSLAs, and this translated into fears that digitization would limit opportunities to meet in person. As such, respondents noted that refugee groups lacked confidence in incorporating digital systems that may disrupt group dynamics. Nevertheless, implementing partners said the sensitizations helped facilitate more receptivity to digitization and digitalization among refugee VSLAs.

Regarding financial capacity and practices, banks and Activity staff noted that host community VSLAs tend to be more "business-oriented" and are able to use financial services more effectively than refugee community VSLAs. For example, according to respondents, host communities typically take out larger loans, lend and borrow more to non-VSLA members in the community, and take risks in transactions that ultimately pay off. **On the other hand, Activity staff noted that refugee VSLAs tend to be more risk averse and cautious of losing their savings.** These practices have influenced saving capacities, with refugee VSLAs generally having less cumulative savings in comparison to host community VSLAs ($41 (152,475 UGX) vs. $43 (159,913 UGX)), respectively, respectively). Because of this, refugee VSLAs usually do not have the financial capacity to cover mobile and bank transaction charges, whereas host community VSLAs tend to have more financial capacity, which allows them to meet the accompanying costs of digitalization.

Each VSLA group appoints a chairperson, treasurer, and secretary who are responsible for tracking group members' contributions and withdrawals. Photo: AVSI.

Conclusions

Digitizing and digitalizing VSLAs is a complex process, particularly for first-time users in rural communities. Although our findings suggest digitization and digitalization can expand the financial security and capacity of VSLAs, the associated challenges participants faced have prevented many VSLAs from realizing this potential. Insufficient training, in particular, significantly disrupted implementation and participant uptake of digital systems. Providing multiple, timely, well-structured, and sequenced training sessions is crucial to ensure users are comfortable and proficient with new systems. Successful implementation hinges on early planning, coordination, and collaboration among various stakeholders across different service industries. These stakeholders bring expertise and services that are crucial to developing a cohesive, sustainable system to support the financial security of VSLAs. However, stakeholders need to recognize the particular needs, challenges, and barriers VSLA members face while developing digitization and digitalization models. Internet connectivity, network penetration, location of financial branches, and low digital literacy levels are crucial factors to consider when establishing adequate support mechanisms. Moving forward, it is essential to develop a comprehensive understanding of the needs of VSLAs, the existing capacities of digital and financial service providers, and the existing community networks before implementing digitization and digitalization.

During the digitization process, the Activity coordinated with banks to deployed mobile money agents to the host and refugee communities to allow participants to make deposits and cash out. Photo: AVSI.

Lessons Learned and Recommendations

Lesson Learned

VSLAs struggled to buy into and transition to digital systems after already being accustomed to traditional, paper-based systems. VSLAs had spent savings Cycle One familiarizing themselves with the traditional saving and loan process and were hesitant to abandon the method for a new, unfamiliar one. Additionally, because the transition was introduced late in the Activity, there were fears that the Activity would no longer be able to support VSLAs with digital systems after the Activity ends.

Recommendation

Develop “born-digital” VSLA groups. VSLAs should start the digitization and digitalization process early on when the VSLA is being created. The born-digital approach would help foster more buy-in and uptake of digital systems. This would also allow early engagement with fintechs and banks and help facilitate more trust between service providers and communities.

Lesson Learned

Participants’ needs and the challenges they face to using technology or digital systems should be considered and addressed when developing sensitization materials, training, and support mechanisms. VSLA members experienced several community and contextual barriers that made it difficult for them to digitize or digitalize. Understanding these needs prior to implementation will help develop systems that are adoptable, scalable, and sustainable.

Recommendation

Conduct a needs assessment to support the Know Your Customer model before implementation. Including a needs assessment would allow community trainers and fintech or bank representatives to better facilitate training sessions and disseminate relevant information to the participants in their local language. One implementer emphasized understanding the needs and profiles of VSLA group members to determine needs such as type of phone and training needed. The implementer created different personas, noting that some individuals might need a smartphone for businesses while others would be well served with a basic feature phone and still able to access mobile money and communicate with family members. Activity staff noted that linking VSLAs to digital records and mobile phones provides the opportunity to center participants in the data collection and assess the real-time needs of VSLAs. The Activity and its partners can leverage these systems to connect directly with VSLA members to identify and address the needs of different VSLAs more efficiently. To promote sustainability, VSLAs should be included in the co-creation and validation processes after needs assessments to help ensure programs are contextually relevant and appropriate to VSLAs needs. By centering VSLA member voices in program design, digitization and digitalization models can better develop KYC approaches, trainings, and learning materials to support successful implementation and uptake of interventions.

Lesson Learned

Training was not sufficient to support VSLAs to digitize and digitalize. In particular, fintech and bank training was not conducted often enough, did not include enough VSLA members, and overlapped with one another. These factors made it difficult for participants to learn and adopt the digital systems.

Recommendation

The Activity and community trainers should provide better preparation for delivery of training, especially regarding documentation and expectations for VSLA groups before engaging with fintechs and banks. Additionally, training should be segmented or phased, with each phase providing several training and support sessions. In other words, VSLAs should first receive sensitization and training on digitization. Community trainers and fintechs should provide multiple sessions to help participants understand what the digitization process is, why it's important, and how to use its affiliate devices and technologies. Once VSLAs have completed the digitization training, they then receive sensitization and training on digitalization. Bank representatives should then provide multiple sessions to help participants understand what digitalization is, the role of financial institutions and their benefits for savings and loans, the financial services they offer, and how digitalization links with fintechs or the digitization process. In addition to this, these training sessions should be more hands-on, delivered to group members equally, and provide constant logistical support.

Lesson Learned

Activity staff said the current collaboration structure helped facilitate relations between service providers and the communities. However, many also pointed to factors that could be improved to further support sustainability and scale-up of VSLA digitization and digitalization.

Recommendation

First, involving local government representatives and stakeholders could further drive local ownership and ensure continuity after the life of the project. Since relationships between fintechs, financial institutions, and VSLAs are established, including local officials could help facilitate more long-term partnerships and trust-building between these actors. Additionally, future activities can develop a viable business case to encourage more financial institutions to be involved with VSLAs, but also to open up branches or increase presence to support more rural communities. Bank representatives all discussed the opportunities the Activity presented to them and how tapping into new clients and developing new systems tailored to different community needs was helping to expand their operations in the country. By incorporating local stakeholders and driving the business case for local service providers, digitization programs can support continued stakeholder buy-in and service provision after the Activity ends.

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