Jipange Sasa:

A Little Heaven of Local Savings, Hot Technologies and Formal Finance

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Kibera

A slum-city located entirely within the Kenyan capital of Nairobi, Kibera is home to more than a million people. It is a place with no public systems of toilets, roads, schools, or sewage. It has no police. Residents must purchase the water they drink.

In the rainy season, its dirt roads dissolve into brown glue and stall the commute of residents in and out of the slum. In the dry season, its roads harden and buckle, redirecting the course of the sullage that sometimes passes for water in Kibera. In the violent season, during political elections, its roads lead desperate families out of the slum and into hiding up-country.

Imagine yourself in Kibera. As you plod along its lanes, edged by a cookie-dough of soil and human waste, taking in the rot of the streets, breathing its decay, you might not dare to imagine that a few of the people here are beginning to hoist themselves out of this dreary situation. But that is exactly what is happening.

The man making this possible is Lukas Alube: educator, firebrand, and financial engineer. He has spliced together a grid of real and virtual money served up by the market, the hottest technologies available, and unstinting volunteerism.

The result: Those who were once considered some of the poorest residents of Kibera now save regularly, self-insure against the death of a family member, and invest in securities through the Nairobi Stock Exchange. This fresh breed of investor is able to fund his or her daily consumption of food and water, set aside money for household emergencies, and plan – against all odds but, as we shall learn, not against all hope – for a future beyond Kibera.

This article is about how savings groups start slowly, growing out of local savings and burial practices. When trust among members is firm, groups evolve into village savings and lending associations (VSLAs). As money circulates within the associations, members begin to improve the efficiency of their financial self-service. With the help of Jipange Sasa, the organization formed by Alube, associations graft their simple practices onto a telecommunications and banking platform unique to Kenya. The resulting hybrid delivers speedy record keeping and depositing, enables increased savings balances, and facilitates group investment in the Kenyan stock market.

The ministry of finance
Alube was born in Kibera, and recalls his high school days playing football on its once expansive fields. He was able to move out of the slum twelve years ago, returning daily to visit friends, relatives and new residents. These days Alube spends his time picking his way along the rough paths of Kibera to dispense ideas, scold pessimists, and encourage all who will listen that they can, if they work together, find ways to leave behind Kibera and their poverty.

Trained in community finance by the Chalmers Center of Economic Development at Covenant College in the United States, Alube came across the work of Hugh Allen – an early pioneer in village savings and lending – during a workshop sponsored by the Anglican community. Allen’s model instantly caught the activist’s attention. “The approach was so relevant,” Alube remembers. “At last I had a practical way to help people stuck in their routines of daily survival.”

He tried his hand at forming savings groups. They worked. Emboldened, Alube launched *Jipange Sasa* (“Plan Now”) in 2004. *Jipange Sasa* is a small voluntary organization that helps people wrest savings from their meager livings so that they can one day leave Kibera. As Alube puts it, “This is not a place that you work to improve. People here must get out, and for that they must fight.” Savings is part of the fight. So are savings groups. Alube manages fifteen such groups, but has coaxed many more into existence. His world is one of “paying it forward.” Groups thank him for his time by forming other groups.

*Jipange Sasa* spreads its financial gospel in several ways: its volunteers form new groups but also teach existing self-help clubs, abundant in Kibera, to add savings and lending to their missions. Originally, these clubs sprang to life from a call to civic work. Club members collected and disposed of trash, policed the local neighborhood, and cared for children. By adding savings and loan services to their activities, self-help clubs acquired more financial resources to invest in their social work.

“In my own groups,” Alube says, “the ones I begin from scratch, I have had to start very simply. With ‘dear ones’ [his term for the poorest of the poor] I must begin at the beginning. I work with what they know, where they are and what they fear. These members are often new to Kibera, are out of money, frightened, and a little desperate.”

Alube starts his dear ones off with a merry-go-round, a kind of savings club pervasive throughout rural Kenya. The rules of a merry-go-round seem familiar, and therefore safe, to dear ones. Ten or twenty members gather into a club. Each member contributes the same sum of money every week, and every week one member takes the whole sum home. Over time, each member has a turn at receiving the lump sum.

After a merry-go-round is up and running, Alube begins to address what his dear ones fear most – death. Custom dictates that the residents of Kibera observe the rituals of village burial: “They worry about living so far away from home and about the enormous costs of a proper ceremony. How will they ever come up with amount they need? And they also worry about what their spouses and children will do if they die.”
He encourages members to start a burial fund with each member contributing the same sum every month, from ten to fifty shillings (about $0.13 to $0.16), depending on the amount which the group has decided. Funds are deposited in a bank. The burial fund is not touched until a group member dies, in which case the spouse or child of the member receives a fixed amount of money – never enough to cover the full costs of a funeral, but always enough to begin preparations.

Drawing on these two basic services – the merry-go-round method of savings and the burial fund method of insurance – Alube helps the groups to make their practices more sophisticated. He advises them to allow a portion of their savings to accumulate, and shows them how to lend this new pool of funds to members.

Members borrow to fund emergencies, purchase drinking water and food, or travel to and from Kibera. Once everyone trusts one another and the system, Alube encourages them to develop joint businesses. Members enjoy the confidence gained by working shoulder-to-shoulder with others in the same situation. Together members sell vegetables or run a matatu (taxi) service, or vend shoes and clothing. The most profitable business, Alube says, is to install a tap and supply water to neighbors for a fee.

During the process of coaching groups, Alube gives out financial advice: avoid local microfinance institutions (“interest rates are exorbitant”); reject get-rich-quick offers (“scams are everywhere”); and save every single day (“even five shillings makes a difference”). He also teaches members to plan and to save for a reason (“without a reason, a saver is a miser”).

The technology of transfer

Daily deposits, a cornerstone of Jipange Sasa’s teachings, are difficult for members to make. The solution? Integrate a human web of local deposit-collectors into a mobile phone-based cash transfer system. But before we get to that, let us back up a bit to learn what happens in the absence of such a solution.

Normally, many small expenses – from drinking alcohol to mobile texting – gobble up what little cash a household might save. To shield money from temptation, the saver must make a constant effort to move cash out of his pocket and into a safe place. The group fund is that safe place. But in normal circumstances, making frequent deposits is nearly impossible.

Members reside in Kibera but earn their livings far from where groups meet. Members can spend hours on public transport traveling to and from their livelihoods. Many work in the evenings as guards or in other night-shift jobs scattered throughout Nairobi. For these members, attending weekly meetings is out of the question. But, letting cash lie idle or close-at-hand for a month eliminates the chance of pooling it into savings.

Despite hardship, most group members are able to put between ten and fifty cents a day into the fund. Some cannot save every day but can do so weekly. How do they manage this?
**Jipange Sasa** has knit together its far-flung savers into an ingenious network of group deposit-collectors and cash-transfer agents. Deposit-collectors are unpaid members of a savings group who volunteer their services for the good of their fellow members. For example, a group of fifty members might have five subgroups, each with a designated collector located close to its membership. Collectors, daily or weekly, seek out members to take in cash savings.

Next, deposit-collectors use their mobile phones to forward cash through a mobile transfer service, called M-PESA, to the group account. The account is managed by an elected treasurer. Commercially launched in 2007 by Safaricom (Kenya’s largest mobile network operator), M-PESA allows customers to make cash transfers using their Safaricom service. A network of 14,000 authorized agents across Kenya forms the retail backbone of M-PESA. Customers visit an agent – there are forty agents in Kibera alone – to deposit cash, which the agent turns into stored value in their M-PESA accounts. For many, M-PESA has become a savings account. Customers can transfer the cash to relatives or creditors, but they can also keep a balance in their account and withdraw money as they wish. M-PESA charges no fee for deposits and about $0.33 for each transfer or withdrawal.

M-PESA is useful to individual customers at any income level, but is of particular use to savings groups. Working through a designated deposit-collector, groups build up their funds each week. For example, if a group agrees that members will save ten shillings a day each (about $0.12), and the collector is responsible for the deposits of five members, by nightfall the collector is able to collect and deposit fifty shillings into his M-PESA account. Weekly, for a fee of $0.33, the collector forwards the $3.00 cash from his personal account to the group account by using the “send money” feature on his phone.

In this instance, the sub-group is willing to spend eleven percent of its funds on forwarding cash. Alube says the tradeoff is worth it. First, members can move the money out of their pockets and second they can do so without the cost of a long commute. If members save more, the cost of cash transfers decreases in relation to savings, since M-PESA charges a flat twenty-five shilling rate for small transactions.

To withdraw cash in preparation for the meeting, the group management committee visits an M-PESA agent; each committee member punches in a specific number of a PIN code that only he knows. Groups withdraw money from their joint account once per month to satisfy member requests for new loans. Borrowers in the group make loan payments in the same way, forwarding payments via their phone to the group account.

**Time is money**

Many benefits – let us call them bonuses – have grown from the new financial web patched together by **Jipange Sasa**.

Bonus one: members save time. Members no longer need to make regular visits to the treasurer to rid themselves of cash, lest that cash be frittered away. In the past, a member had to
bring money physically to the treasurer to keep it safe, and coordinating those visits with other obligations was difficult. Now, by handing cash to the local collector who in turn forwards it to the group account, a member is able to deposit more frequently at lower commuting cost.

Bonus two: increased savings in time translates into increased savings in money. Says Alube, “We have more people saving more often, which means more saving is taking place in a month.” Under the old system, where collections took place at monthly meetings or during visits to the treasurer, regular savings was a challenge. Many enticements parted savers from their cash as they waited days or weeks for the next group meeting.

Bonus three: groups can predict and solve problems before they become crises. The group management committee – elected by members – meets each week to review cash collected in the communal fund via M-PESA. Prior to the creation of the collector-agent network, the committee could track savings and payments only at group meetings. Now the committee can seek out struggling members to resolve problems before too much time has passed.

Bonus four: groups can replace the tedium of paperwork with more engaging activities. Since the management committee now accounts for cash before meetings, groups have shifted attention away from the mind-numbing sport of record keeping to more interesting affairs like loan disbursal, neighborhood safety, and better ways to earn a living.

**Mobile cash means mobile membership**

Charles Oronje, a promoter of *Jipange Sasa*, relates a striking example of how a system of transfer might ease the effects of geographic dispersion. He started the Gatwikera Railway Savings Club in 2004, whose members meet along the train tracks that slice through Kibera and run west to Uganda. Leaning on Alube for help, Charles began his savings group with eleven members, growing it to include fifty-four members in three years. As the group expanded, it took on people of different ethnic backgrounds.

In December 2007, violence related to recent national elections erupted in Kibera. Fires destroyed whole streets, market stalls, and homes. Voters, largely divided along ethnic lines, were protesting the national elections. Suddenly, part of the slum was on the run. Without warning, several members of the Gatwikera Railway Savings Club vanished, never to return.

Inside his humble carpentry shed, Oranje recalls what happened. He clears a table of tools and wood shavings, spreads open the club record book, and points to a few names. “We can’t find these people,” he says. Members left without a trace when bloodshed sent shockwaves through the settlement. “We have no way to know where these people are and can’t return their savings to them. It’s so sad.” At that time, unlike today, most members did not have cell phones or cash transfer services.
Alube explains that with M-PESA, groups can unfurl into the far reaches of Kenya, and still, if need be, offer their members the chance to retrieve their savings. “If a similar problem happened today,” Alube believes, “we could reach our uprooted dear ones.”

Oranje and Alube muse about the future. Technology, they agree, makes so many activities possible. Members move out of Kibera for reasons besides election-time violence. Some leave to migrate for work, to visit family, or simply to take up residence elsewhere.

Alube wants members to be free to go and still participate in their groups; at the very least they should be able to withdraw their savings. And why not? His financial improvisation draws on a telecommunications and cash transfer system that spans all of Kenya and just recently penetrated Tanzania.

**What goes round comes round**

Digital money transfers and a net of volunteer deposit-collectors facilitate the movement of cash, but they tell only part of the story of savings at Jipange Sasa. Saving means sheer discipline, believes Alube. It requires regular acts of thrift on the part of members. But it also requires a forward look. As a route out of poverty, saving must include investment, the kind that comes from the same wealth-building opportunities that make rich people rich.

Groups liked the idea of the stock market, after Alube explained to them how it worked, but were unfamiliar with how to go about investing. Alube did his research and asked for help from places like Equity Bank and Zimele Asset Management. Volunteer experts visited groups and explained investment choices.

After discussing possibilities relative to what members could afford and risk, the groups decided to purchase shares in a unit trust, a Kenyan investment vehicle similar to a mutual fund. Unit trust managers invest in securities traded on the Nairobi Stock Exchange. Using M-PESA, groups can forward as little as a few dollars per month to top up their unit trust accounts.

The groups intend to cash out one day, either wholly or in part. Members hope to spend funds on long-term financial goals like a down payment on a home, on schooling, or on their retirement. These goals are not dreams but plans. For example one of the older groups has placed more than $1,300 in a unit trust. Individual members have started developing their own investments. Weekly, they send funds into personal unit trust accounts. Some have even purchased shares in Safaricom itself.

Long-term investments in securities balance daily savings put towards survival in Kibera. While such strategies seem smart, they are of course, risky. But, Alube is optimistic. “Putting money in the market is more than finance,” says Alube. “It is a way we express our hope. And, we have more than hope in the market, we have faith as well. We must, because we are now part of it.”
By blending the forces of the formal financial sector with a call to social good, *Jipange Sasa* has created a hybrid worthy of attention. The expansion of M-PESA beyond Kenya makes it possible to imagine savings groups as tiny nodes within a financial network of global reach. Members who flee sudden violence or migrate to new markets need not abandon their involvement in homespun groups. Conflict is no longer a financial centrifuge. Nor is drought or flood or any force that might split groups apart. The tethers of *Jipange Sasa*, ever more elastic, can keep members centered and connected.

As Alube concludes, local savings added to the possibilities of finance through technology, “is giving dear ones a glimpse of a little heaven beyond Kibera.”