

Banking on it



Photo: Michiel Wolvers

An innovative mobile application could give a financial safety net to low income groups

MICHEL WOLVERS

Mobile banking may not sound like the most exciting topic, but like many aspects of business in the 21st century, success lies in using apparently boring technology to address the issues that real people face.

Enter e-kulki – an organisation that is working to bring mobile banking solutions to vulnerable communities in Colombia by introducing a new mobile application to savings groups.

Fundamentally, the issue is about financial inclusion and education. Many banks in Colombia aim their services at middle- to high-income individuals or companies, with little on offer for low income groups because their revenue is very low.

That makes the position of those with little cash even more precarious: when they do have money to save, they have nowhere safe to put it. So, when crisis hits – be it illness, accident or any unexpected loss of income – there is no cushion of savings to offer any protection.

Over the past decade, community savings groups have become an international phenomenon, enabling members to work together to address the problem of where to put away savings. These are increasingly being backed by NGOs that often follow the methodology established by Village Savings and Loan Associations (VSLA) in developing areas. Still, 2.5 billion people in the world remain 'unbanked', especially in countries where high bank costs exclude a large part of the population.

By putting in small amounts of money, group members are able to club together to access banking services collectively and

receive interest on the group savings.

"Savings groups respond to the unmet needs of the rural poor by providing a secure place to save," said Oxfam America President Raymond C. Offenheiser. "Today, billions of adults around the world lack access to basic savings and credit, and are either ignored or forgotten by the commercial banking sector."

Oxfam's research shows that when given the right tools, even families living on the edge of subsistence can save – creating a crucial safety net.

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Although very popular, savings groups face a number of challenges. For example, at the end of each cycle, some groups have accumulated thousands of dollars' worth of savings that they keep in a wooden safe that thieves can easily break into. In addition, while the group accounting might be simplified, it is still quite complex for communities with low levels of financial literacy.

This is where e-kulki's innovation, Mobile Money, can help. This 'mobile wallet' banking tool operates on mobile phones and has been developed specifically for low income populations. It works on all types of cell phones and accounts can be opened with any type of SIM card. Essentially the application combines VSLA methodology with the latest mobile money solutions. At the moment e-kulki is working with a program known as Ahorro a la Mano, offered by Bancolombia. It's free to open an account,

make money transfers and payments, while withdrawals cost only 1,000 pesos.

Each member sets up a mobile wallet on their phone, enabling individuals to transfer money into the savings group, and also for the group to administer loans to its members.

The advantages of this approach are the elimination of risks associated with keeping large amounts of cash stashed away, along with the added transparency of a group-run account which means no one can access the group funds alone.

Data management is key to e-kulki's innovation and business model; because the transactions are electronic, e-kulki can calculate exactly how much each member has contributed or borrowed without any manual input. The application will calculate each member's personal balance and send an automatically-generated text message after each meeting, which ensures transparency.

E-kulki works with low income groups to educate them about financing and about the application. It is so easy to use that after just a few hours of game-based training, group members are ready to go.

Feedback from the communities so far has been positive, and the groups are enthusiastic about the innovation. Even elderly members who barely use their mobile phones before have embraced the new technology. One said "Wow, this is very easy! Much easier than I expected!"

E-kulki has already won a social enterprise award from 'Compartamos Con Colombia' and is using the financial reward to run pilot projects with 10 different groups in Cartagena.

Project partners are the NGO Fundación Plan, the Colombian government, as well as Bancolombia, that is assisting with technical support.

Dutch national Michiel Wolvers has been living and working in Bogota and Cartagena for three years. He co-founded e-kulki in 2013, and works as financial inclusion consultant.

Get Involved

In order to grow, e-kulki needs \$100,000 USD in capital to develop and test a fully-automatic version of the application, which will enable them to reach low income groups on a large scale. They are also looking for passionate people to strengthen the team, in particular programmers, a website developer and crowdfunding experts. If you would be interested in helping, get in touch. Send an email to m.wolvers@e-kulki.com

e-kulki



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Traditional savings groups use cash and manual accounting.