Reflection 6. Go Local

Some of the most profound learnings I have made, relate to learning how people manage their money. To explore what I mean you can read the writings of Stuart Rutherford in his book, “The Poor and Their Money”. Stuart’s ideas supported the development of the financial diaries approach.

An example Stuart gives from Bangladesh, Stuart asked a rickshaw-waller “How much can you save in a month?” The rickshaw waller replied, Taka.10. Stuart asked, “How much can you save in a week?” The rickshaw-waller replied, Taka.10. Stuart asked, “How much can you save in a day?” The rickshaw-waller replied, Taka 10. Confused Stuart sought an explanation. The rickshaw-waller said, you asked me how much I can save at a particular time, Taka 10 is the extra money I have with me that I can save. Such insights led to the creation of SafeSave a cooperative that provided daily savings collection services in Dhaka’s slums.

Rickshaw-wallers use their savings behaviour to contribute daily to a rickshaw lottery, 30 Rickshaw Wallers contribute Taka 10 per day each, at the end of a month the Taka. 9,000 raised is used to buy a new rickshaw. The winning rickshaw-waller now contributes Taka 20 per day, which reflects his benefit from not having to hire his rickshaw. The next winner contributes Taka 20 per day, and so on. So, the longer you wait, the less expensive the rickshaw gets to the remaining rickshaw-wallers as others will have contributed more.

In Kenya, the concept of pay as you go, outlined above, is very much at the core of the MoGo services for motor-cycle riders, who pay a deposit and then a daily loan repayment, or the m-solar products of M-Kopa, where users pay for power daily. These are all examples of “Going Local.”

<u>Understand the need</u>: So, in adapting services to fit local needs, the first step is to understand the needs and constraints of your potential customers. This was covered in an earlier reflection. Once the customer need is understood, learn about local financial mechanisms, how people use money. *Often this is about how people manage without a financial institution*. Use this understanding to develop new products and services.

Advantages: So why do this, why go local, there are multiple reasons, but I’ll focus on four:

i. *Relevance*: Services built around local needs, built on local understanding are solutions are likely to be highly relevant, and therefore, popular.
ii. *Promotion:* Promotion of services which are built around local practices, is much easier, services are seen as different, unique, relevant, and understandable.
iii. *Sales*: If services are relevant, easy to promote, it follows that sales should be higher.
iv. *Brand building*: Going local builds brands, creates a differentiator.

Examples: I’ll show the impact of going local through examples:

Home Improvement Loan: Centenary Bank Uganda, a loan secured against the kibanja title, a form of chiefs’ title. This loan rapidly grew to become one of Centenary Bank’s most popular products and demonstrated to the Ugandan financial sector the value of the kibanja title.

Send Money Home – M-Pesa: The launch use case of M-Pesa was send money home. This works because of the demographics of Kenya, where families are split between rural and urban, with aging parents in rural areas, and youth working in cities. This use case highlighted the relevance of M-Pesa to millions of Kenyans.

Oye: Insurance for motorcycle riders in Kenya paid for through a loyalty programme operating from participating fuel stations.

Further evidence of the importance of 'going local' is everywhere. Going local is a core component of many successful fintechs, which build solutions, or 'use cases' around the financial challenges that people are experiencing.

First Principles Consulting can help you go local, in sharing experiences, to ideate, to research.

If this reflection speaks to you… speak to me so that we can inspire change, together.

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Additional reflections in this series can be downloaded from www.firstprinciplesinfinance.com

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