Preserving Liquidity in Ghana’s Susu Collection System during the COVID – 19 Crisis

By Stephen Peachey and Abednego Darko

Stephen Peachey is a financial sector information specialist and has over 30 years’ experience of financial sector development at both policy and individual institutional levels. His most recent work has included engineering more usable and affordable but still sustainable product offerings at ten savings banks worldwide (seven in Africa) with a view to at least doubling the number of usable savings accounts in the hands of the poor. Separately, he has worked on detailed product and channel costing models for more than ten retail banks across the developed and developing world and on studies of branchless financial services in Africa, Asia and Latin America. Stephen’s country experience comprises almost all the countries of Central and Eastern Europe as well as many across Sub-Saharan Africa including Burkina Faso, Ghana, Kenya, Lesotho, Malawi, South Africa, Tanzania, Uganda and Zambia. He has also worked in China, India, Indonesia, Thailand and Vietnam; Saudi Arabia and Morocco; as well as Mexico and El Salvador. He is currently working with Oxford Policy Management on a 5½ year, three country program to help informal savings and loan groups connect with formal financial service providers to improve access for members as part of The MasterCard Foundation’s Savings at the Frontier initiative.

Abednego Daako Darko, CEO of Daresh Investments Ltd graduated from KNUST in 2007. Daresh has been in operation for 7 years. DSS (Daresh Susu Savings) which is the brand name of the service is a deposit mobilization system that serves clients directly at their locations through specialized kiosks and Mobile Banking Officers using phone tablets and biometric smartcards.
Slt was ten years ago that I first taught the Savings module at the Boulder MFT English programme in the wake of the 2008 financial crisis. At the time we thought that crisis was serious, and it was very challenging but it did not feel existential. Some of us even saw it as an opportunity and you could fill a training room with MFT attendees interested in savings mobilisation as MFIs looked for alternative sources of funds. The COVID crisis feels an order of magnitude beyond that but I still see opportunity. We owe it to ourselves – and more importantly to our customers – to fight back against the fear, engage with the customer and make ourselves more resilient by helping them build their own resilience for their future.

I am telling this with my project partner and now good friend Abednego Darko of DSS Platform. When I first met him, he was working in the family savings collection business, Daresh Susu Savings and branching into hand-held technology for daily savings collection. I was tasked with finding financial service providers interested in linking informal savings mechanisms to formal finance and doing this on behalf of the Savings at the Frontier (SatF) programme – a partnership between Mastercard Foundation and Oxford Policy Management.

Susu collection is an age-old collective savings model in Ghana where SUSU enterprise agents visit customers daily gathering small savings and then returning them on request at the end of a cycle (usually a month). Each cycle, one day's worth of saving is deducted to cover cost of collection. Net deposits are banked, although enterprises can invest up to half of net funds in other legitimate assets (such as T-bills for example).

Susu collection is very heavily used by the sort of people living in high-density urban areas that are also the main challenge in the context of COVID-19; areas where informal self-organised dwellings are tightly packed and social distancing is virtually impossible. It also appeals to market traders who use it to put aside some of their daily takings to restock later. So, it was crucially important to keep the susu collectors on the DSS
Platform going through the crisis and to try and squeeze out as much COVID transmission risk as possible in a high-contact business.

SatF has been deliberately designed around the principle of adaptivity and we have high two-way trust regarding adjustments to budget and working together on problems. Our starting point at programme level was a multi-partner, open conference call on the challenges being faced. Experience sharing was good and as program leads, SatF signalled up-front a willingness to adjust budgets but deferred the detail of that to follow-up calls with individual partners. This is the story of how that call set in train a set of practical actions that did keep susu collection businesses from folding during lock-down in Ghana, helped them weather an immediate storm of withdrawal requests and come back stronger off the back of having delivered during a crisis. We even have reports that the story of what we have done is spreading virally among susu users so good crisis management works as marketing strategy!

First, a bit of context. Ghana is a lower-middle income country of just over 30 million population, with just over 50% urbanised. The two big metro areas – Greater Accra and Kumasi, both with populations of 2+ million – got hit hardest in the early stages of the pandemic and were put into lock-down by mid-March. The Ghana Health Service has always appeared open and timely in its reporting of cases and has a relatively high
testing rate for a mainland equatorial/tropical African country. Like most of the equatorial/tropical zone the spread of cases in Ghana has been getting slowly faster but the country has not seen the huge surge in new cases that Europe, South Africa or the USA experienced early on. At SatF, we are strongly data-driven and built a very basic case/ infection-tracking system\(^1\) that allows us to try and put our target countries experience in a similar context to our own, which helps understanding. The chart shows our latest comparison of Ghana’s experience against our Euro-US experience.

![COVID-19 - Ghana compared to EU, US and S.Africa](chart.png)

From the charts we saw no great surge in new cases and a rapid lengthening of the time taken for cumulative numbers of people known to have been infected to rise by each order of magnitude. Ghana took two weeks to go from one case per million to one case per hundred thousand and another four weeks to get to one case per ten thousand. The jump from there to one case per thousand took eleven weeks. This is not massively exponential growth, yet the disease clearly transmits easily. So, we now know that COVID-19 is a long, slow-burn crisis for countries like Ghana and the parts of Africa that SatF works in.

Of course, Abednego Darko and I did not know that in the second half of March when the collectors were blocked from going out onto the streets for what turned out to be

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\(^1\) Our go-to source for data on COVID-19 is the [Worldometers Coronavirus](https://www.worldometers.info) site and we use our own deployment of some of the more basic [John Hopkins Coronavirus Resource Center](https://coronavirus.jhu.edu) comparison frameworks. We do the data analysis and charts in Excel and update them daily and are perfectly happy to share the framework with Boulder Alumni and programme managers if anyone would find something like this useful.
three weeks (although at the time it was announced the lockdown had no fixed term). We had to get something working immediately. SatF signalled that money just disbursed could be diverted from longer term development to help keep the DSS Platform up and the susu enterprises on it functioning. Keeping the platform up was not a directly controllable issue because it is cloud hosted but fortunately it was not experiencing problems, so we left this till later as a long-term resilience issue.

Abednego identified two immediate priorities:

- Liquidity was the most immediately pressing issue. No-one could deposit but people were turning up at susu-enterprise offices asking for withdrawals. Abednego was watching the positions daily from home and was confident the susu enterprises that had been on the platform longest had enough cash in the bank so we agreed that unused development funds could be diverted to immediate liquidity support for the rest of the enterprise clients.\(^2\)
- Wage support for the collectors was also a critical issue – collectors only get paid for deposits mobilised and there was no depositing happening. SatF agreed to find extra funding so that DSS could put a three-month floor under the biggest element of susu enterprise costs.

Addressing these made a huge difference to fragile confidence among the susu enterprise owners on the platform – it showed that DSS Platform was more than just a technical services provider. Abednego had always been stressing this and had built the idea of it being a more integrated part of the susu collection ecosystem. The crisis made that real.

The immediate focus was on meeting customers’ withdrawal requests in a timely fashion on demand for smaller amounts and next day for the rest, which is how susu usually operates. Demands accelerated when lockdown came off in Accra and Kumasi in early April. The enterprises that had been on the platform longest did manage, just, to meet these demands with cash in hand and withdrawals from their bank accounts. The ones needing more liquidity support had a hard time, but demands were visibly met with help from DSS supported by SatF. To help further, SatF brought forward its next main funds disbursement while the details of a COVID-support top-up were being finalised. This got the ecosystem through early May and by mid-May there were signs that the worst of the crisis was abating – the pace and size of withdrawal requests was falling, some days saw more deposits than withdrawals and the size of the liquidity support calls was falling.

\(^2\) That liquidity support will have to come back at some point so the funding can return to longer term development, but its immediate value could be deployed during the period of most immediate need. The DSS team also agreed to plough back some of their wage fund into longer term liquidity support for enterprises that needed more than just short-term funding. In return DSS gets a participation in supported enterprises’ future income streams.
By June, the corner had definitely turned and net-depositing started to build strongly. Word also began to spread that susu enterprises on the DSS platform had survived and were paying out whereas others were not honouring withdrawal requests. By end-June the rate of net depositing was back at pre-crisis levels and in July some of the enterprises on DSS Platform were having their best-ever deposit collection days.

In June, a major new enterprise with 5000 savers that had been seen as a strong player before the crisis came to DSS on the verge of collapse. It had been stretching the rules on non-deposit investments and held some very illiquid assets. DSS invested some of its own capital in asset purchases and provided some long-term liquidity support from its own resources. It backed this with a loan from some of the core ecosystem enterprises who could offer this within the rules on allowed asset deployment because they were becoming increasingly cash generative. In return they got a claim against future income at the enterprise in trouble. The effect was electrifying – the business that had been in trouble stabilised within a month. It too is now increasingly cash generative (which it is using to rebuild its liquidity) and the income it shares with the ecosystem partners is a useful addition to their own. The end-result is that the whole system is stronger and bigger by a factor of about 1.167 in terms of customers served.

Abednega and I also used the leverage that comes with providing fast support to get a debate going among susu enterprise owners about reducing COVID transmission risk. The collection transaction itself is not hugely risky because it is very quick and can be done more at arm’s length than face-to-face, but it does involve handing over cash. Abednega and I identified two stages of the transaction that really increased surface to hand transmission risk:

- The customer handing over their near-field card so the collector can tap it on a phone holding the system interface (to identify the customer, load their account details and tag the deposit collected as belonging to the customer); and
- The agent counting the customer’s money before putting it in their collection satchel.

We decided we could tackle the first of these with the customer tapping their own card on the phone rather than handing it over to the agent. The second was too difficult – it is an important part of the collection ritual that the collector visibly counts the money and acknowledges the amount being deposited.

We concentrated instead on hand hygiene at three stages in the whole collection process:

- Hand sanitiser between individual collections;
- A hand wash station at each office to be used by customers visiting the office and collectors returning from their rounds before they hand over their collection satchels for counting of that day’s savings mobilisation; and
- Frequent use of the handwash station by the person(s) counting incoming cash.
We also funded face masks for collectors and the offer of them to customers. This did not work because collectors and customers felt masks were really uncomfortable in the heat of Accra’s markets. Sometimes you just have to learn from experience. By contrast, the hand wash stations really do help cut transmission risk and they are great below the line marketing aids as well. We spent under $5,000 for twelve enterprises serving 30,000 people. The masks were even less costly, and both they and the wash-stations were sourced from small enterprises within the ecosystem's own customer base.

Turning to longer-term resilience, Abednego was determined that the crisis should be used as an opportunity to build that ecosystem and do something about pricing. Losing a precious day’s savings with every withdrawal was meeting increasing user resistance in a market system under stress. He also started thinking about customer resilience in the face of ongoing COVID risk.

Together we agreed to focus on three main areas and held another over for later consideration:

- Enterprise owners had seen the value of being part of the ecosystem and SatF was still funding collector salaries. This was the time to take a risk and offer zero-fee withdrawals for customers who keep a minimum balance with an enterprise in the DSS ecosystem. It is early days but some of the record net savings days seen in late-July (and early-August) followed the launch of the new pricing offer. Anecdotal reports are very positive. We are still waiting for enough data to run a full business case analysis but early signs are promising enough for SatF and DSS to agree the use of mainstream funding to extend the window for salary underpinning by a few more months.
• Abednego led the development of Citizen Impact Tracker, a side-app sitting on the collector phones that uses the same geolocation that already allows DSS to track where money is being collected/withdrawn to also track COVID incidence. The collector takes selected customers through a quick, scripted, voluntary and anonymised COVID-related physical and financial health check. This is still work in progress. We will be writing another blog on the SatF website about this when we have the data more systematically organised but it has shown that it can pick up local COVID hotspots and allow DSS to reinforce messaging on COVID risk control with the most affected susu enterprises and collectors.

• Even though net depositing has recovered, that was more a sign of how much saving matters, even at times of stress, to the income-generating activities of susu users. Saving in the informal economy is just borrowing in reverse and as Stuart Rutherford\(^3\) has taught us, it’s all about turning small amounts of cash flow into useable lump sums. The fact that net depositing picked up quickly once the susu enterprises on DSS Platform had shown that small day by day saving would come back as a useable lump sum did not mean the capital scarcity challenge was sorted. DSS is now exploring how it can use the data on its platform about how people save as a way of identifying susu enterprise customers with the potential to take loans. Once it has the data in a format that can support loan origination it will direct these lending opportunities towards partner banks/MFIs (with the susu enterprises getting paid to handle loan payment collection but not taking credit risk they cannot safely handle).

The longer-term issue that we have parked for now, remains the small-tail risk related to hosting the DSS platform in the Cloud. DSS already has hot and cold (offsite) back-up but Abednego is planning to test a refreshable off-line back-up of user account records that would allow enterprises to keep basic reconciliation going for a few days even if the main cloud-based platform were unavailable.

In conclusion we have learnt three things from this experience:

• Be flexible with grant disbursement because sometimes timing of money creates the biggest impact. This could work in a lending context as much as a savings one. It was the way that SatF used adaptive disbursement to signal the strength of support that made a difference to confidence among the people who face customers under stress.

• Be realistic about what really matters when people are under stress and focus on the human aspects – salary underpinning for agent-collectors in this case and hand-washing stations but do not insist on things you thought would help but turn out not to (masks).

• Use data to get a better long-term perspective, build it over time and add to it from within your own business so you will know more about what is happening next time round.

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Last but not least, we are all in this for a long haul so let us learn from each other as we always do at Boulder MFT. Please do comment and question us on this – we will reply. Follow us on the Savings at the Frontier web page; we will be writing more on the Citizen Impact Tracker. Most of all – keep safe everyone!

**Savings at the Frontier** (SatF) is a six and a half year programme (2015-2022) that seeks to bridge the gap between the supply of formal financial services and informal savings mechanisms (ISMs) in Ghana, Tanzania and Zambia, so that ISM users in these countries have a greater choice and use of financial services that best meet their needs. SatF is a $17.6 million partnership between Oxford Policy Management and the Mastercard Foundation. For more information—and to read the full SatF strategy—visit [https://www.opml.co.uk/projects/savings-frontier](https://www.opml.co.uk/projects/savings-frontier)