

The digital journey of Shakti Foundation for Disadvantaged Women: A lesson for progressive MFIs in Bangladesh

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The context of digital transformation at Shakti Foundation

About four years ago, our partner in Bangladesh—[Shakti Foundation for Disadvantaged Women](#) faced multiple cases of misappropriations related to its voluntary savings product. As a result, the senior management team of Shakti decided to withdraw it. They realized the need to strengthen internal controls before they could offer voluntary savings products that create unpredictable flows of cash¹. However, the management was still unclear and apprehensive about how to offer customer-centric products while managing the associated risks.

This case study charts how Shakti Foundation responded to these challenges through a digital transformation under the Digital Microfinance Project².

Digital initiatives of Shakti Foundation

01 The digitization of two voluntary savings products

[MSC](#) helped Shakti design and launch its voluntary savings products—Family Savings³ and Lakhpati⁴ accounts. Shakti partnered with [Robi Axiata](#), a mobile network operator in Bangladesh, to automate the

confirmation of deposits and withdrawals through SMS. Though the customers usually deposit their savings with the loan officers during the weekly center meetings, the amount can only be withdrawn at a branch. To help reduce the cases of fraud, Shakti also installed⁵ biometric devices in the branches to authenticate the customers before they withdraw their savings.

02 API integration with mobile financial services

Shakti recently signed an agreement with [bKash](#), the largest mobile financial service (MFS) provider in Bangladesh. This step offers an opportunity to extend its outreach. Shakti also completed the API integration to facilitate loan repayment for its SME members through bKash. The next step is to mobilize savings from the members through the bKash MFS channel.

The outcome of the project

Status of the Family Savings account as of November, 2019:

- The number of Family Savings accounts increased by more than nine times—from 41,614 in May, 2018 to 366,132 in November, 2019.
- The total savings mobilized from the members increased by 27 times—from BDT 12,652,083 (USD 150,230) in June, 2018 to BDT 351,816,599 (USD 4,144,093) in November, 2019.
- The total amount withdrawn by the members from their Family Savings accounts in five months, from July '19 to November '19, was USD 2,702,136.

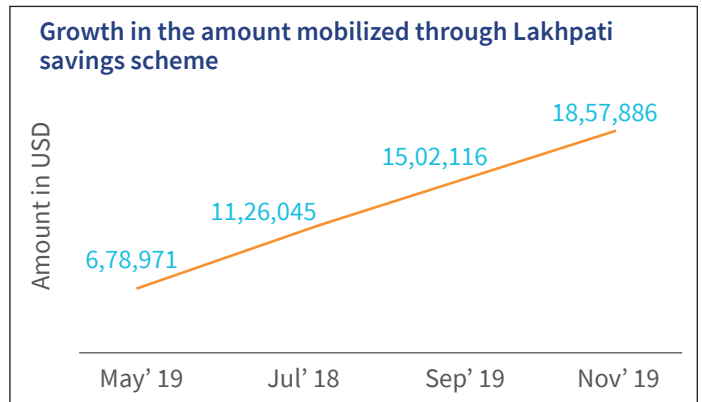
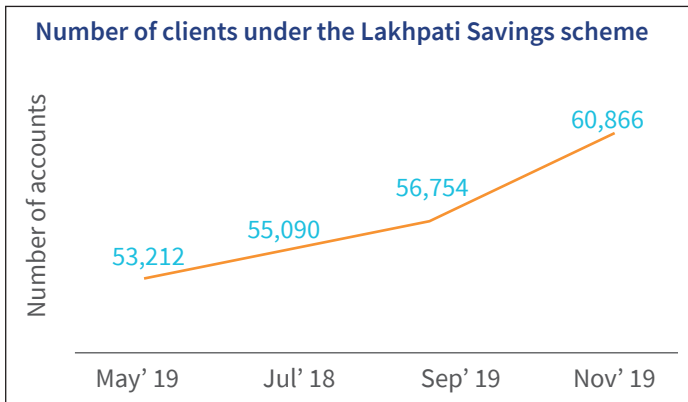
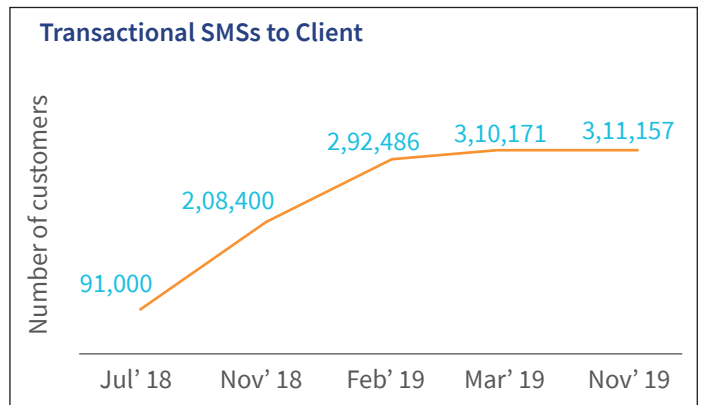
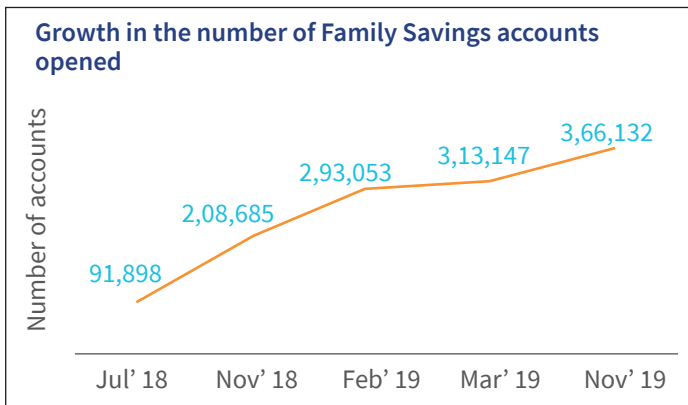
¹ The product provides flexibility to customers to deposit and withdraw any amount.

² MetLife Foundation and MicroSave Consulting (MSC) conceptualized the project in 2017. The project was premised on the belief that digital financial services will enable microfinance institutions to offer more customer-centric products at scale.

³ Family savings is a scheme where savings can be withdrawn at any time and with no obligation for the members to make compulsory deposits.

⁴ Lakhpati savings scheme is a recurring deposit scheme. Customers make weekly or monthly deposits to get a fixed amount of BDT 100,000 (USD 1,176) at the end of maturity period.

⁵ Shakti has installed biometric devices in more than 200 branches out of the total 408. It is currently in the process of installing the devices in remaining branches.



What made digital financial services work in Shakti?

MSC undertook a study under the Digital Microfinance project in 2017 to understand the financial needs of clients. We found a strong unmet demand for a savings product that is “voluntary” in nature. Most savings products offered by MFIs in Bangladesh are compulsory in nature—they require a fixed amount to be paid each week. However, our research highlighted that, above all, customers valued **the flexibility of deposit and withdrawal, affordability, and easy access.**

In the case of Shakti, the board of directors responded to these needs and aspirations of the clients and foraged partnerships to undertake the digital transformation. This allowed Shakti to offer need-based savings products and superior customer service experience while mitigating the risk of fraud.

What were the key benefits of digital financial services (DFS) for Shakti and its customers?

01 Ability to offer voluntary savings products to its customers

With better internal control in place, Shakti was able to offer voluntary savings products to its customers, such as Family Savings and Lakhpati⁶ Savings. Both products received an exceptionally positive response in the market. Within two months of its launch, Shakti rolled out the Family Savings product across all its 356 branches and it proved to be a runaway success. Furthermore, a special audit conducted over 31 branches in August, 2018 indicated no instances of fraud.

⁶ One lakh equals 100,000.

02 Automated text messages to confirm transactions

Shakti took the initiative to send automated transaction confirmation text messages to its clients. This helped control the instances of fraud, offered superior customer experience, and improved the trust of its members. Timely and accurate information about the current balance amount also helped meet the expectations of its customers for a safe and secure place to park their surplus funds.

03 Withdrawal of savings through biometric verification of the client

The members of Shakti are required to go through biometric authentication when they want to withdraw their savings. The branch staff at Shakti allows the members to withdraw their savings only after successful biometric verification. This helps mitigate the risk of fraud.

04 Process optimization

Digital transformation helped Shakti strengthen its savings processes, such as cash deposit, cash withdrawal, supervisors’ monitoring process, and the overall internal audit.

05 Digitization of the internal audit system

MSC designed a score-based audit tool that included an audit checklist and collaterals to strengthen the internal audit policy and processes of Shakti. Shakti is currently in the process of automating its internal audit system to incorporate this tool. It will help the senior management and vigilance teams at the zonal and head offices receive instant information on fraud as the system detects and captures it.

The way forward

Market research with customers of Shakti Foundation revealed that they prefer multiple channels for loan repayment and disbursement. In response, Shakti has been taking various initiatives to digitize its lending products, such as the individual lending product. We expect the next round of digitization will help Shakti improve the uptake of its lending products.

