



Promoting financial literacy and inclusion

Case Study
GIG CFI



GIG CFI
GENERATIONAL INHERITANCE GROUP

In many countries, the promotion of an inclusive financial system is a policy priority. Access to finance is important for improving the living conditions of poor farmers, urban small enterprises and other vulnerable groups.

South Africa is a country of contrasts where millions battle the daily challenges of persistent inequality and poverty. According to the Quarterly Labour Force Survey, the official unemployment rate stood at 34.5% in the first quarter of 2022, representing the highest rate since the global economic crisis of 2008.

Cooperative financial institutions (CFIs) are one of the oldest organisations working on financial inclusion on the continent. For example, in Kenya, the cooperative movement is over 110 years old, whereas 'stokvels', the informal financial cooperatives, date back to the 19th century. Yet, in South Africa, CFIs are relatively new; the legislature was only introduced in 2007. In low- and middle-income economies CFIs still play a key role by serving rural and pre-urban areas that other types of microfinance institutions are unable to serve.

South Africa is the most unequal country in the world. Inequality is high, and persistent. Approximately 18.9% of the population is experiencing food poverty and lives below the international \$1.90 poverty line.

World Bank, 2022

GIG Trust supported the modernisation of GIG CFI, a not-for-profit cooperative financial institution based in Johannesburg, South Africa. The cooperative currently provides 1,000 members with modern banking services at fair rates. In 2021, GIG Trust's outstanding work was recognised by the Co-operative Banks Development Agency and GIG CFI was awarded the best performing CFI in South Africa.

The challenge

Historically in South Africa, cooperatives have been thought to be meant only for small-scale farmers, which is why they have not gained much popularity. The overall number of members in CFIs across South Africa is well below peer countries such as Kenya and Brazil, and even below their smaller neighbours Eswatini and Lesotho. In fact, the share of the financial sector owned by CFIs in South Africa is the lowest in the world (0.06% vs. an international average of 13.5%).

A major reason why financial cooperatives fail in South Africa, is because they do not have adequate banking systems in place. According to the Finmark Report, the majority of CFIs in South Africa use manual accounting and management information systems and many find that meeting regulatory compliance standards with these systems is extremely challenging.

Core banking platforms are often complex, expensive, difficult to implement, and cumbersome to maintain.

To continue operating and ensure scalability in the future, GIG Trust needed to replace its legacy banking system with a flexible cloud-native platform.

- Established in **2010**
- **1000+** previously underbanked members
- **4** employees
- **2013** migrated to Mambu
- Deployed on **Amazon Web Services**
- **Active** in South Africa
- **Award** Best performing CFI in South Africa

<https://gig-institute.com/gig-cfi/>

Early cloud adopter

GIG Trust migrated its operations to cloud in 2013 and became one of the earliest adopters of Mambu in the region. The CFI selected Mambu's composable banking platform because it offers flexibility and is easily configurable. Over the years, it has rolled out the following products:

- Interest-free loans with share-based savings as collateral,
- P2P loans structured with one or multiple P2P investments.

By building on Mambu's cloud banking platform, GIG Trust can easily modify existing products and add new ones quickly to cater to the needs of their CFI members. The accessibility of the Mambu platform also played a key role in the selection process. The mobile penetration rate in South Africa is high, and members of the cooperative are able to use Mambu with a GPRS cell phone signal even in very remote areas.

In South Africa, COVID-19 had a considerable impact on mobile banking, as it became essential during and post the pandemic. According to McKinsey, since the start of the global health crisis, nearly half of South Africans said they have increased online and mobile interactions with their banks.

Impact at different levels

The cooperative currently serves around 1,000 members and thanks to Mambu is able to provide modern banking services at fair rates. Both Mambu and GIG Trust have gained considerable attention by local and national authorities as well as regulators, and continue to serve as reference models as to how cooperative banking can address financial inclusion.

- **Banking the underbanked**

Commercial banks traditionally rarely serve the unbanked, low-income earners and micro-entrepreneurs. As a result, financial cooperatives, like GIG CFI, focus on serving the vulnerable and unbanked communities.

GIG CFI aims to create self-help financial mechanisms. With limited access to credit to create income/employment, GIG CFI exists to localise capital formation with subsequent credit extension to members.

Mambu has enabled GIG Trust to bank South Africans and foreign nationals who previously had no access to financial services. As Mambu's platform keeps track of members' past loans, the cooperative can use this internal credit history to evaluate future loan requests.

● Behavioural banking

The underbanked often lack the kind of financial literacy they need to make well-informed money-related decisions. Yet, the higher the financial literacy of the members, the lower the credit risk for the financial institution.

Cooperatives are well placed to develop the financial skills of a broader set of community members, such as teachers, micro and small business owners, and other community members in smaller towns and villages.

Facilitated by GIG Institute, the cooperative offers a free online financial literacy training program. The goal is to help members get rid of unproductive debt and learn to create multiple income streams. As a practical application of what is taught, members of the GIG Institute are encouraged to join the CFI. Additionally, existing members who complete certain financial literacy courses can also attain higher loans.

● Fostering savings culture

In South Africa, many live hand-to-mouth. GIG CFI enables the accumulation of savings amongst members by offering conventional savings options, such as notice savings accounts and fixed deposits. The CFI's loan products often require internal savings as collateral, creating an incentive for members to develop a savings culture.

● Resolving debt problems

Africa still has a long way to go towards fair banking. In South Africa, banks often offer personal loans with interest rates between 20 - 28 percent per annum, while some short-term loans have interest rates as high as 60 per cent per annum.

With Mambu's cost-efficient platform, GIG CFI was able to cut back on interest revenue, and provide members with interest-free loans to settle high interest rate debts.

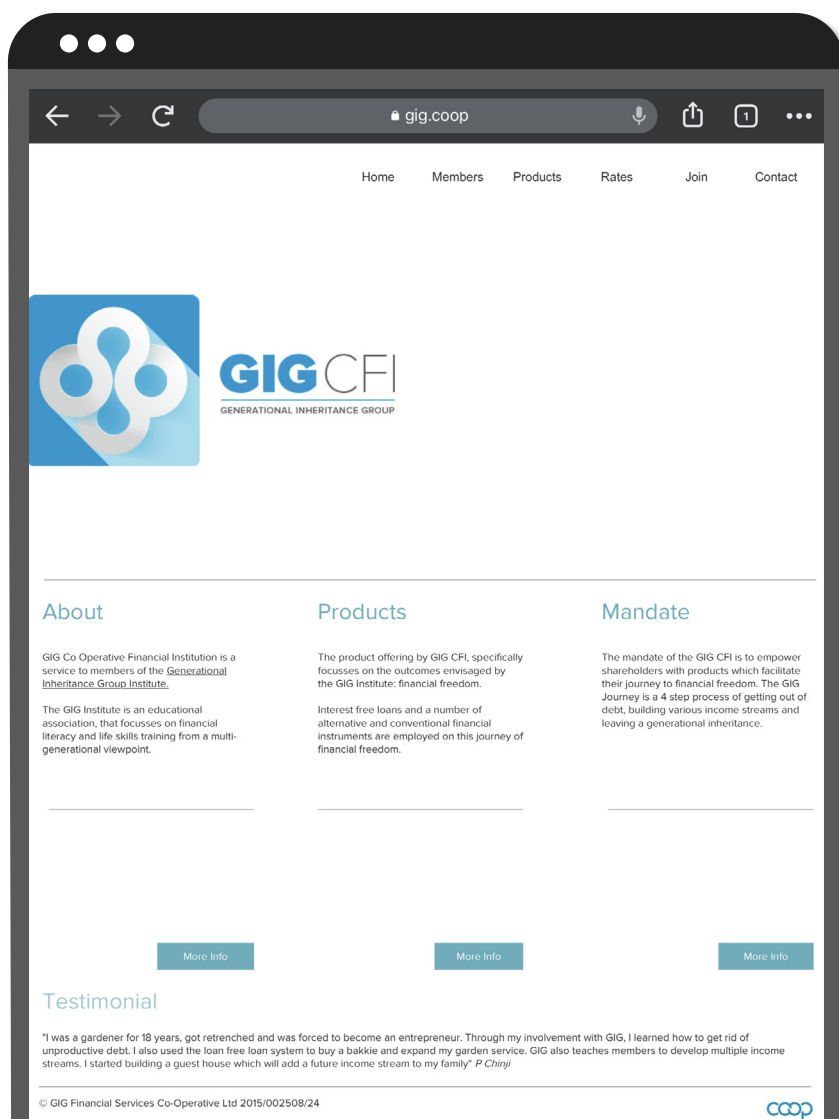
● Becoming more energy resilient

South Africa is a major emitter of greenhouse gases as a result of its reliance on coal. Mambu has enabled GIG Trust to roll out a digital banking structure and take all of its operations online. This allows all staff to work from home as there is no branch network, and thus no need to travel, cutting out pollution.

Additionally, a number of members have used GIG CFI's loans to install solar panels to ensure greater energy self-sufficiency.

Multiplying income streams

- A member from Malawi built a guesthouse in his home country thanks to a GIG CFI loan.
- A Nigerian member started a catering business. As his proceeds increased he acquired a pick up truck with a loan from GIG CFI, which he used to build out a small home construction business.
- An elderly couple used a GIG CFI loan to convert an unused garage into a garden flat, which they rent out to supplement their income.



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