

## Digitization of ESUSU Thrift Savings Scheme in Nigeria

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**Abstract:** A high percentage of Nigerian population is unbanked. These are mainly petty traders, small scale enterprise owners, farmers and artisans who live in rural and urban areas. Most often, they indulge in daily contributions also known as esusu where a collector collects certain amount of money from customers and at the end of a month, the collector takes a fraction of the money for the services rendered. One major way of improving the esusu scheme is by creating a platform that would enable the members to save money and as well have ability to access microcredit in a fast and secured system. This paper explores the use of Global System Mobile device to manage and enhance transactions of the esusu scheme. The system also provides members and management of esusu schemes with instant information on any transaction made and it guarantees security of data and information.

**Key words:** Petty traders · ESUSU · Global system and Mobile device

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### INTRODUCTION

A high percentage of Nigeria population is unbanked. An unbanked person in Nigeria is a person who does not have an account with any of the licensed banks in Nigeria. According to [1], the percentage figure of Nigeria's unbanked population currently stands at 46.3%. These set of people include petty traders, farmers, small scale business entrepreneurs, artisans, etc. The reason for being unbanked varies. For example, [1], posits that the reason why banking penetration was relatively low in Nigeria is because of a number of factors, some of which include proximity to financial service outlets, product complexity and cost of service. Osuagwu (2014), [2], contented that there is absence of physical bank branches particularly in rural areas.

Banks in Nigeria are concentrated within the urban areas, so there are little or no banks in the rural communities. Some of the reasons why banks concentrate on urban cities include bad road to rural communities, fewer population in rural communities as many rural dwellers migrate to urban areas for greener pastures, lack of basic infrastructure in rural areas, etc. Among the urban dwellers, one of the reasons why there are many unbanked people is fear of waiting in banks to transact their business. They prefer collectors coming to collect money when they are in their respective shops. Such

arrangement satisfies them because there are multiple benefits: they will no longer pay transport fare to banks, the fear of arm robbery is eliminated and finally, they would be in their shops and transact their business.

### Methods of Esusu Savings and Mirocredit Scheme:

The origin of esusu is unknown. Esusu according to [3], was a way people constituted themselves into saving group, contributed money on a particular day of the week for over a period of time. Esusu members have a guiding code of conduct. Esusu concept infers that a substantial amount of money is saved before it is withdrawn. Esusu therefore is a form of thrift savings.

**Traditional Form of Esusu:** The early form of esusu involves people of the same trade coming together to form an association that would enable them make savings. The primary objective of esusu is to provide financial stability to their members and help them during period of need. Esusu members might be fishermen, farmers, food and item sellers, etc. Before the group would commence as an esusu group, they have to agree on certain issues such as the amount to contribute on daily or weekly basis and when to share the contributed shares in accordance to individual savings. For instance, among the yam farmers in Ogbaru area of Anambra State, they make contributions throughout the year and share their savings at the

beginning of farming season when they use such money to buy seedling. This is normally around the period of November. For the fishermen, they share their saving around April when they buy their fishing materials. Some contribute to share their saving during traditional festivals and recently during Christmas period. Practice therefore involve people of similar trade coming together to contribute money which they will share back to members based on what each person contributed at the agreed period of time.

At times, there is provision for borrowing. A member who needs financial assistance will apply to the group and he will be given the amount requested. In fact among some esusu association, there is provision that each member is entitled to a loan. This traditional esusu method, though not profit-oriented is highly beneficial to

members of the esusu group. It enables them to make enough saving to be able to relatively buy their tools for farming, fishing or expand their small business.

**Esusu in Modern Perspective:** Although the traditional method still exists, the current method of esusu scheme makes it a profit yielding venture. It involves the managers of esusu schemes printing passbook and ledger books which they give to collectors (at times they collect by themselves) who visit customers in their respective shops and collect money from them. After collecting the money, the amount is entered into the passbook which the customer holds. The amount is later entered into a ledger book which is kept at the main office.

A diagrammatic representation of the current process of collecting savings is as follows:

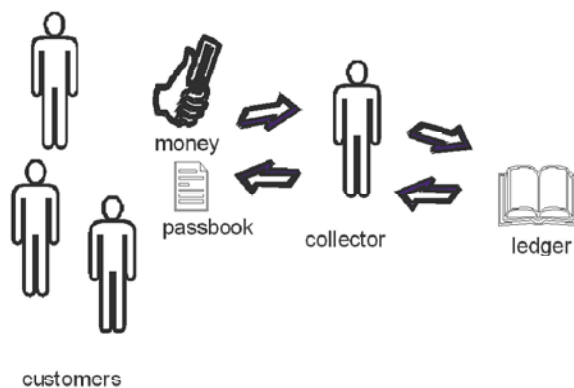


Fig. 1: Customer payment is entered in passbook and given back to customer

The information on the passport includes the following: Customer’s Name, Address, Occupation, Phone Number, Next of Kin’s Name, Next of Kin’s Address and Next of Kin’s Phone No.

A sample of the passbook is as shown below:

<p style="text-align: center;"><b>RULES AND REGULATIONS</b></p> <ol style="list-style-type: none"> <li>1. Money must be contributed daily.</li> <li>2. Commission is contribution for a day.</li> <li>3. A two-day notice should be given before withdrawal.</li> </ol>	<p style="text-align: center;"><b>GOD'S FAVOUR DAILY CONTRIBUTION CARD</b></p> <p style="text-align: center;">12 CADIBUA ONYIA STREET, INLAND TOWN, ONITSHA, ANAMBRA STATE</p> <p>NAME:.....</p> <p>ADDRESS:.....</p> <p>OCCUPATION:.....</p> <p>PHONE NO:.....</p> <p>NEXT OF KIN'S NAME:.....</p> <p>NEXT OF KIN'S ADDRESS:.....</p> <p>NEXT OF KIN'S PHONE NO :.....</p>
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Fig. 2: Daily Contribution Passbook

The inside part of passbook is as shown below:

Month.....					
Dates	₦	Dates	₦	Dates	₦
1		15		29	
2		16		30	
3		17		31	
4		18			
5		19			
6		20			
7		21			
8		22			
9		23			
10		24			
11		25			
12		26			
13		27			
14		28			

Month.....					
Dates	₦	Dates	₦	Dates	₦
1		15		29	
2		16		30	
3		17		31	
4		18			
5		19			
6		20			
7		21			
8		22			
9		23			
10		24			
11		25			
12		26			
13		27			
14		28			

Fig. 3: Inside view of daily contribution passbook

There are rules and regulations that guide the conduct of members of the scheme. For instance, for God’s Favour Daily Contribution, money must be contributed daily, commission is a day’s contribution and two days notice has to be given to the manager by the customer before withdrawal could be made. These conditions however vary among different groups.

**The Ledger:** The ledger is kept in the office. It contains a complete list of all the customers the office is managing. Each entry in the passbook is reflected on the ledger.

**Mode of Payment:** The mode of payment of the conventional Esusu system is by cash. The collector receives cash from a customer, enters the amount into the customer’s passbook, signs and returns the passbook to the owner. He then proceeds and register the transaction into the ledger book.

When a customer wants to withdraw his monsey, he informs the collector who comes with the money to the customer’s shop and hands over the money to the customer who signs after receiving the money. The withdrawn money is also reflected on the ledger book.

The exact amount the customer contributed is taken by the Esusu collector being the amount for the services rendered.

**Challenges of the Current System:** Omeh (2015), [4], enumerated the risks involved in thrift savings to include criminals (attack by armed robbers and hoodlums), friends

and family (who want you to solve their financial problems), lack of self discipline (by the person who might misuse the money) and poor decision (in investing the collected money). Digitizing the process of thrift collection and savings, Esusu and other microfinance would reduce the criminalities involve in managing such funds.

**Some of the Challenges of the Current System Include:**

- The collector could be attacked on his way to the customer’s shop and the money taken.
- There could be delay in withdrawal as at times the collector requests for a day of two day’s notice before the withdrawal could be effected.
- If the ledger and the passbook are stolen, every transaction of the business is lost.
- There could be mistake in recording because the collector may after entering the amount in the passbook forget to enter it in the ledger.
- There are instances of fraud. A collector may after collecting money from customers elope with the money.

**The Proposed Method of Collecting Esusu Using Mobile Device:** The proposed system involves the use of Global System Mobile (GSM) device to transact the esusu business, although it involves two way approaches on the system of payment. These are Cash Payment System (CPS) and Electronic Payment System (EPS).

**Cash Payment System (CPS):** This involves the use of GSM devices which is now common among business men and women, the unbanked inclusive. It involves the collector collecting cash from each of the customers at their business points in their respective shops. The collector after each collection sends SMS to the office. The information passes through a gateway and hits the collector's till box.

A till box is an account the collector keeps with the back end office. The information is stored and an alert of the amount received from the customer is sent back to the customer. The customer receives the message through SMS on his GSM device. The alert takes place in microsecond such that the collector would still be in the customer's office while the customer receives the alert if network is stable.

A diagrammatic representation of such a system is shown below:

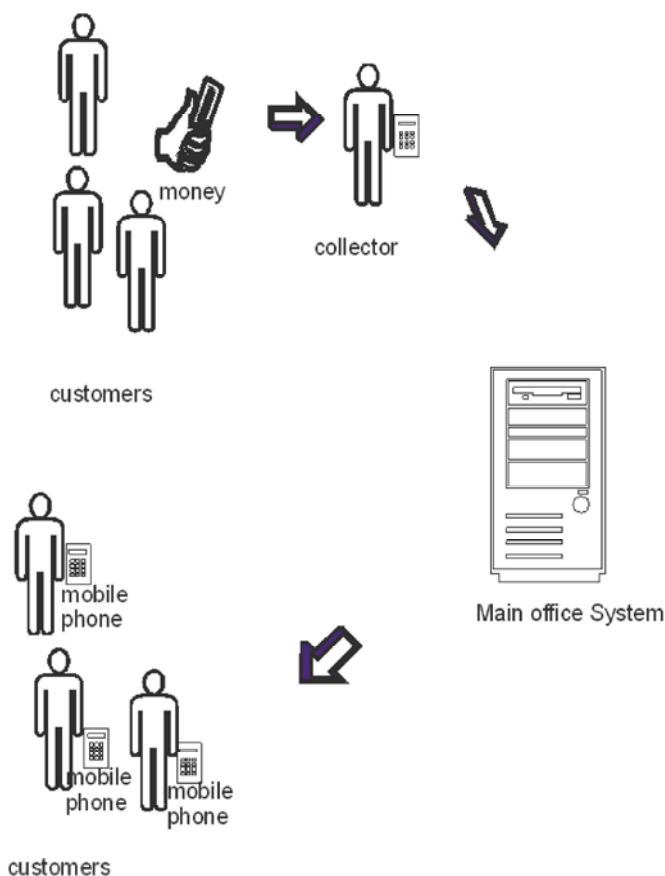


Fig. 4: Customer receives alert via mobile phone after making cash payment

The Esusu office is registered with a commercial bank or financial institution that provides commercial services. These services include the use of ATM and other mobile services.

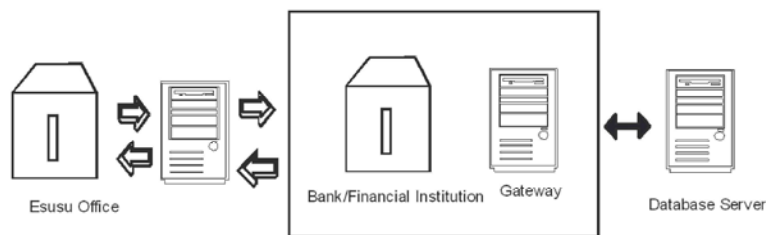


Fig. 5: Esusu office is backed by a bank or financial Institution

**Withdrawal of Money:** CPS involves the use of Automated Teller Machine (ATM) to withdraw money unlike the current practice of a collector bringing cash to the customer on request. The use of ATM is ideal since the Esusu office is registered with a bank or a financial institution that provides commercial services. The ATMs are mounted at strategic places in markets where customers will have access to withdraw money at any time.

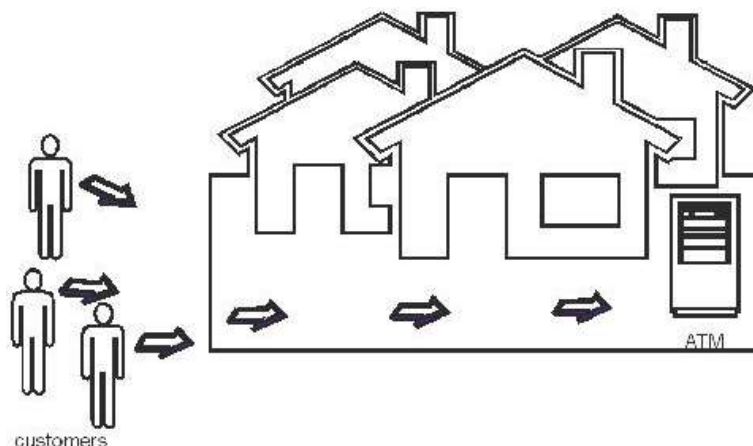


Fig. 6: Customer received their money through ATMs installed in markets

**The Advantages of Such a System Include:**

- The money is readily available unlike the current system where the collector could be delayed in coming with money due to issues like sickness.
- The collector could be attacked on the road.
- The ATMs are mounted in various locations. Therefore when an ATM is not functional, another ATM would be available to satisfy customer needs.

**Mobile Payment:** This involves the use of GSM devices, but instead of cash payments or withdrawals, it involves the use of mobile money transfers. The system involves the collector visiting each customer and if the customer chooses to use mobile money transfer approach, the transfer is made. Once the transfer is made, it reflects on collector’s GSM device. The collector transfers the transaction to the base office which credits the customer and sends a credit alert back to the customer.

The same method is applied in withdrawal. The customer informs the collector of his intention to withdraw money. The money after checks and confirmation is transferred to the customer’s GSM device.

The advantages of such a system includes that the customer and collector can transact business at any time and place without restriction.

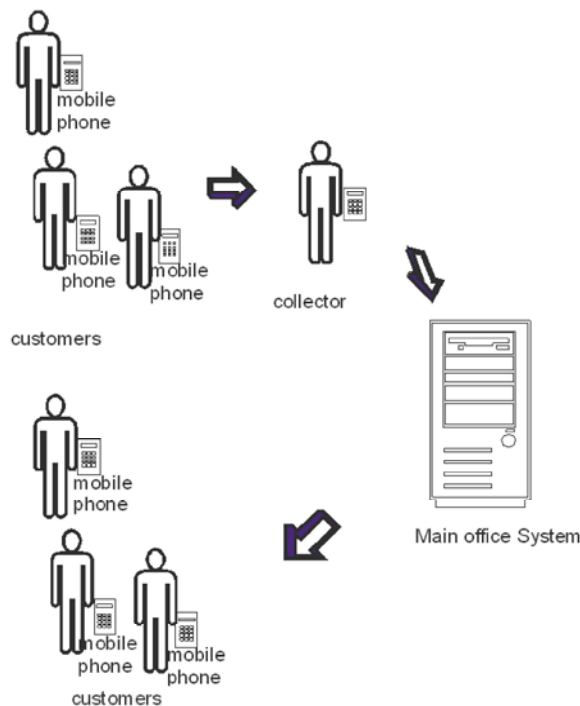


Fig. 7: Customer received alert via mobile phone after mobile payment

**CONCLUSION**

The esusu scheme is a thrift saving that encourages saving among the low income earners. It encourages the members to build up their capital which they can invest in

other businesses. The current method of the scheme is open to a lot of fraud and mismanagement. Some of problems include delay in withdrawal of money by customers, miscalculation of amount saved or eloping of a manager with huge amount of money contributed by customers. The new system employed the use of GSM technology in improving the scheme. The new system is more organized and more secured. It involved interfacing an esusu office with a bank or financial institution that offers commercial services. One of such services is the use of ATM which enables customers to withdraw money without delay at any point in a secured environment. The system affords the customers the luxury of being in their shops to make their contributions. They can also interact with collectors at any time of the day. The system is efficient and effective in managing the esusu scheme.

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