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MyChama

Connecting Savings Groups to Smart Financial Tools

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APT3065 Mid-Term Project

Market Research Report

1.0 Executive Summary

The informal financial sector in Kenya, particularly in the form of *chamas* (community-based savings and investment groups), plays a critical role in enhancing financial inclusion and fostering economic resilience among millions of citizens. These groups serve as grassroots financial support networks that enable members to pool savings, access loans, and invest collectively. However, despite their widespread prevalence and financial significance, many *chamas* continue to operate using manual, paper-based systems, which are often inefficient, prone to human error, and vulnerable to mismanagement.

The proposed MyChama App seeks to address these systemic challenges by providing a secure, user-friendly, and mobile-first digital platform. The application will include features such as automated contribution scheduling, mobile money integration (particularly M-Pesa), loan application and repayment workflows, and real-time financial dashboards. Additional capabilities include secure member onboarding with Know Your Customer (KYC) protocols, role-based access control, and digital communication tools for scheduling meetings, sending notifications, and managing minutes. This all-in-one platform is designed to digitize the end-to-end operations of *chamas*, thereby enhancing accountability, transparency, and overall group efficiency.

1.1 Key Findings

Extensive market research reveals that Kenya is home to over 300,000 active *chamas*, which collectively manage financial resources estimated to be in excess of KSh 300 billion (approximately USD 3.4 billion) (KNBS, 2023). Despite handling such vast sums, the overwhelming majority of these groups continue to depend on handwritten records and spreadsheet systems. These traditional methods lack standardization, are susceptible to fraud, and often result in disputes due to lost or inaccurate data.

Moreover, existing digital platforms such as M-Changa, which boasts over 200,000 registered users, have demonstrated that there is substantial demand for digital tools tailored to group financial management (M-Changa, 2024). In parallel, Kenya's mobile money ecosystem is one of the most developed globally, with M-Pesa alone accounting for approximately 96.5% of mobile money transactions in the country (CAK, 2023). These trends suggest a ripe opportunity for

deploying a specialized MyChama App that leverages existing mobile infrastructure to digitize and streamline group-based financial activities.

1.2 Project Focus

The main objective of the MyChama App project is to design and develop an integrated digital platform that addresses the operational inefficiencies and governance challenges faced by informal savings groups. This system will be tailored specifically for Kenyan chamas, taking into consideration their unique financial behaviors, cultural dynamics, and regulatory context.

The application will provide a suite of core functionalities, including automated contribution tracking, secure digital loan processing, real-time financial reporting, and robust mobile money integration. Additionally, the platform will incorporate member verification through KYC, role-based permissions for leadership roles such as treasurers and secretaries, and administrative tools for managing meetings and communications. By offering a comprehensive solution that blends financial automation with organizational management tools, the app will empower chamas to operate with greater accuracy, transparency, and accountability.

2.0 Problem Definition

2.1 Market Need

Chama is a foundational aspect of Kenya's socio-economic landscape, especially among underserved and marginalized populations that lack access to formal banking and credit facilities. They serve as vital mechanisms for financial empowerment, providing members with access to pooled savings, short-term loans, and investment capital. However, as the scale and scope of these groups grow, their reliance on rudimentary manual systems becomes increasingly problematic. According to Otieno and Gitonga (2022), issues such as record-keeping errors, financial discrepancies, and limited access to real-time data are among the most common complaints among chama members.

As expectations rise among the different generations; there is a growing demand for modernized systems that provide clarity, automation, and oversight. Members want immediate access to accurate records of their contributions and loans, and they desire the ability to participate in

governance and decision-making without depending solely on physical meetings or paper-based reporting. These demands underscore the pressing need for a digital solution that can bridge the operational and technological gaps in the current chama ecosystem.

2.2 Problem to be Addressed

Several deeply rooted challenges must be addressed in order to unlock the full potential of chamas. Firstly, manual record-keeping methods are inherently error-prone and lack the transparency needed for effective group management. This often results in mistrust among members, especially when discrepancies arise in financial records or when loan repayments are inaccurately tracked. Secondly, there is a significant communication barrier, as many chamas rely on word-of-mouth or inconsistent messaging to schedule meetings and update members on financial matters.

Moreover, the absence of proper checks and balances in chama leadership structures frequently leads to accountability issues, including embezzlement or misappropriation of funds (Mutua, 2021). Finally, the lack of integration with mobile financial services limits the ability of members to contribute remotely or receive timely updates on their balances. The proposed digital platform aims to systematically eliminate these inefficiencies by introducing automation, transparency, and secure communication tools.

3.0 Market Size & Opportunity

3.1 Quantitative Description of the Market Size

The market for a digital MyChama App in Kenya is both vast and largely untapped. With more than 300,000 active chamas operating across urban, peri-urban, and rural areas, the collective financial management potential is immense (KNBS, 2023). These groups control assets totaling more than KSh. 300 billion, suggesting that even modest improvements in efficiency and governance could unlock significant value. If just 10% of this market; approximately 30,000 chamas, were to adopt a digital solution, it could represent a financial ecosystem worth over KSh 30 billion.

Given that the majority of Kenyan adults participate in at least one informal financial group, the user base for such an application could easily extend into the millions. This makes the MyChama App not only a feasible innovation but also a highly scalable and impactful solution.

3.2 Qualitative Description of the Market Size

Beyond the numbers, there are several qualitative factors that support the growth potential of this initiative. The proliferation of smartphones, increasing digital literacy, and widespread familiarity with mobile money platforms mean that most chama members are already primed for digital solutions. Additionally, the Kenyan government and financial sector are actively promoting financial inclusion through digitization, creating a favorable policy environment for technology-enabled solutions (Ndung'u, 2022).

There is also a cultural shift occurring within chamas themselves. Many groups are transitioning from informal social gatherings to semi-formal investment clubs, and with this evolution comes the need for systems that reflect greater professionalism and structure. This cultural and behavioral evolution positions the MyChama App to become a central enabler of this digital transformation.

4.0 Competitor Landscape

4.1 Global Scale

At the global level, there are numerous financial management platforms, including QuickBooks and Audit Board, that offer sophisticated tools for accounting, auditing, and reporting. However, these platforms are generally designed for corporate environments and are often too complex or expensive for informal community-based groups. Moreover, they do not provide the localized features; such as mobile money integration or multilingual support, needed by grassroots users in Kenya (PwC, 2022).

4.2 Regional Scale

In the East African region, platforms such as M-Changa and One Kitty have emerged to support collective fundraising and group savings. While these platforms have gained traction, they primarily focus on collecting contributions and do not offer comprehensive governance features such as role-based access, digital minute keeping, or loan management (M-Changa, 2024). They serve an important purpose but do not fully meet the administrative and accountability needs of a modern chama.

4.3 Local Scale

Locally, several fintech solutions are attempting to serve the chama market. The CIC Invest App, SmartChama, and Chumz offer tools for saving and basic tracking, but most fall short in offering a full-suite management experience. For example, SmartChama provides member tracking and summaries but lacks advanced functionalities such as automated interest calculations or audit trails (TechTrendsKE, 2023). On the other hand, more sophisticated platforms like Musoni and Jisort cater primarily to SACCOs and microfinance institutions, making them too complex or costly for smaller chamas. This creates a clear market gap for a tailored, mid-level platform.

5.0 Target Users

5.1 User Personas

Persona 1: Mama Wanja – Rural Treasurer

- **Background:** Mama Wanja is a 48-year-old small-scale farmer and treasurer of a women's savings group in rural Kenya. She has basic mobile literacy and uses her phone mainly for M-Pesa transactions and calls.
- **Goals:** She aims to maintain accurate records of group contributions, issue timely payment reminders, and ensure accountability among members.
- **Pain Points:** Manual record-keeping is time-consuming, prone to errors, and makes it difficult to generate reports. Additionally, reminding members about dues often involves costly phone calls or travel.
- **Technology Comfort Level:** Moderate. Comfortable with basic mobile applications like WhatsApp and M-Pesa.
- **How MyChama Helps:** Provides an intuitive interface for tracking contributions, automating reminders, and generating financial reports with minimal training.

Persona 2: John – Urban Secretary

- **Background:** John is a 30-year-old IT consultant living in Nairobi. He serves as the secretary of a professional investment chama composed of working adults in various industries.

- **Goals:** He wants to streamline administrative tasks like meeting scheduling, creating and sharing digital agendas, and maintaining organized minutes.
- **Pain Points:** Coordinating virtual meetings is often chaotic due to lack of proper tools, and information gets lost in lengthy WhatsApp chats.
- **Technology Comfort Level:** High. Comfortable with mobile apps, cloud storage, and video conferencing tools.
- **How MyChama Helps:** Offers seamless calendar integration, digital document sharing, and real-time meeting tools that reduce friction and enhance coordination.

Persona 3: Peter – Regular Member

- **Background:** Peter is a 26-year-old boda boda rider and a member of a neighborhood chama in Kisumu. He is financially disciplined and contributes regularly to his group.
- **Goals:** He wants to monitor the chama's financial performance, understand how funds are managed, and have a say in key group decisions.
- **Pain Points:** Lack of transparency frustrates him. He only hears about financial decisions during physical meetings, which he sometimes misses due to work.
- **Technology Comfort Level:** Moderate. Uses a smartphone regularly for M-Pesa, Facebook, and simple apps.
- **How MyChama Helps:** Provides him with on-demand access to financial dashboards, voting features, and push notifications for important decisions and updates.

5.2 Key Pain Points

Users of traditional chama systems encounter a wide range of recurring challenges that significantly hinder the efficiency, transparency, and sustainability of their financial operations. One of the most prevalent issues is inconsistent and inaccurate record keeping. Most chamas still rely on handwritten ledgers, physical notebooks, or ad hoc spreadsheet documents maintained by one or two individuals. These manual methods are highly susceptible to human error, data loss, and manipulation (Mwaura, 2020). When records are misplaced, incomplete, or tampered with, whether intentionally or unintentionally, it becomes extremely difficult to track contributions,

repayments, or accrued interest. This often leads to disputes among members and a breakdown in trust (Ngugi & Njiru, 2022).

In addition, loan management and repayment tracking remain major pain points for most groups. Without a structured digital system, chamas struggle to monitor the full lifecycle of loans, from application and approval to disbursement, interest calculation, and repayment. This not only complicates accountability but also increases the likelihood of loan defaults, especially when payment schedules are not clearly communicated or reminders are not issued on time (Kariuki & Omwenga, 2019). Furthermore, leaders such as treasurers and secretaries are often overwhelmed with administrative burdens, making it hard to maintain accurate loan records or enforce repayment timelines effectively.

Poor communication mechanisms further compound these problems. Most chamas coordinate using fragmented channels such as text messages, phone calls, or informal WhatsApp groups. While these methods may suffice for casual updates, they are inadequate for structured group coordination. Scheduling meetings, sharing official minutes, conducting votes, or disseminating financial reports through such platforms often leads to confusion, missed updates, and member disengagement (Wambua & Mutisya, 2021). The lack of a unified communication system prevents timely information flow, which is essential for maintaining transparency and group cohesion.

Another critical issue is the lack of access to real-time financial information. In traditional setups, members must rely on periodic updates from group officials, often shared verbally during physical meetings or through static summaries. This delay in information makes it difficult for members to make informed decisions regarding contributions, loan applications, or investment opportunities (Mburu & Ouma, 2020). The absence of dashboards, instant balance visibility, or audit trails leaves members unaware of the financial status of the group and their individual standing within it.

Finally, there is a pervasive concern over transparency and accountability, especially regarding the management of group funds and decision-making processes. Many members express distrust when treasurers or chairpersons fail to present timely or detailed financial reports. This lack of visibility often breeds suspicion of misappropriation or poor governance, which can erode group morale and participation (Omondi & Gikunda, 2019). Without digital safeguards such as role-based access, automated logging, and audit-ready financial records, it becomes nearly impossible to hold group leaders accountable or to maintain equitable decision-making processes.

Together, these challenges point to a critical need for a comprehensive, technology-driven solution that addresses the operational and relational complexities of modern chama management.

5.3 Desired Outcomes

Users are looking for a solution that brings transparency, automation, and accessibility into their group operations. They want features that allow for real-time updates, easy payment tracking, secure data storage, and better communication. Additionally, leadership roles such as treasurers and secretaries seek tools that reduce administrative burdens and enhance accountability through features like audit logs and automated financial statements (Kariuki, 2022).

6.0 Regulatory & Compliance Factors

6.1 Legal

While many chamas operate informally, formally registered groups must adhere to Kenya's Co-operative Societies Act (Republic of Kenya, 2020). This law outlines governance standards and record-keeping obligations. Therefore, the proposed system should include features that support legal documentation and formal registration workflows.

6.2 Ethical

Ethical considerations are paramount when dealing with sensitive personal and financial data. The platform must ensure end-to-end encryption, data minimization, and informed consent. Users should be clearly informed about how their data will be used, stored, and shared, and they should be able to access and control their personal information at any time.

6.3 Regulatory Considerations

The application must comply with Kenya's Data Protection Act and align with the regulatory frameworks established by the Central Bank of Kenya for digital financial services. Furthermore, integration with M-Pesa and similar services will require compliance with API usage policies and the onboarding of members using KYC protocols (ODPC, 2023).

7.0 Conclusion

In conclusion, the MyChama App represents a timely and necessary solution to the systemic issues facing informal savings groups in Kenya. It combines financial automation, governance tools, and

mobile-first accessibility to meet the evolving needs of chamas. With a large addressable market, supportive regulatory frameworks, and rising digital adoption, the platform is well-positioned to drive financial inclusion and empower grassroots financial networks.

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