



# Field Insights No. 2

# From Insights to Action:

Building Client Trust and Confidence in Branchless Banking



Oct  
2013

Written by Monique Cohen



## Table of Contents

<b>ABSTRACT.....</b>	<b>1</b>
<b>INTRODUCTION .....</b>	<b>2</b>
<b>THE CONSUMER EDUCATION AND BRANCHLESS BANKING SERVICES PROJECT (CEBB) .....</b>	<b>3</b>
Objective.....	3
Partners.....	4
India: Financial Information Network and Operations, Ltd. (FINO) .....	4
Zambia: Zoono (formerly called Mobile Transactions Zambia Limited) .....	4
Philippines: The Rural Bankers Association of the Philippines and Microenterprise Access to Banking Services (RBAP-MABS, hereafter MABS).....	5
Market Research.....	5
<b>BRANCHLESS BANKING FROM THE USER’S PERSPECTIVE: OVERVIEW OF MARKET RESEARCH FINDINGS.....</b>	<b>7</b>
<b>‘LEAPFROGGING’ ACROSS THE DIGITAL DIVIDE: TRUST AND CONFIDENCE .....</b>	<b>9</b>
TRUST.....	9
CONFIDENCE .....	13
<b>TURNING INSIGHTS INTO ACTIONS: BUILDING FINANCIAL CAPABILITIES .....</b>	<b>15</b>
<b>BUILDING AWARENESS AT THE BEGINNING OF THE CUSTOMER JOURNEY.....</b>	<b>16</b>
FINO - India.....	17
MABS - Philippines.....	19
Zoono - Zambia.....	21
Consumer Education Campaign: a package of embedded activities.....	22
<b>LESSONS LEARNED.....</b>	<b>25</b>
A Client Centric Approach to Consumer Education .....	25
Broadening the Financial Capabilities Agenda.....	26
Consumer Education: Is it a win-win for clients and service providers? .....	26
<b>MOVING FORWARD: BUILDING FINANCIAL CAPABILITIES IN BRANCHLESS BANKING .....</b>	<b>27</b>
<b>CONCLUSION.....</b>	<b>29</b>
<b>ACKNOWLEDGEMENTS.....</b>	<b>30</b>
<b>REFERENCES.....</b>	<b>32</b>

# ABSTRACT

Despite high expectations for branchless banking, limited uptake and usage by low income consumers stand in the way of its potential to benefit clients and increase financial inclusion. Drawing on the experience of Microfinance Opportunities' Consumer Education for Branchless Banking (CEBB) in India, the Philippines, and Zambia, this paper identifies the barriers that inhibit clients' use of new technologies and explores how consumer education can effectively address them. Market research revealed that the skills consumers need to adopt new technologies are learned rather than intuitive; that service providers have invited consumers to 'leapfrog' into the digital age without the necessary tools and as a result, low usage is largely a crisis of trust and confidence. Project partners designed and tested a suite of educational activities and tools to help clients move from high touch to low touch financial services, to understand how to manipulate the technologies to which they now have access, and to trust in the safeguards they contain. In the process, they experimented with two innovations: they broadened financial education content beyond basic money management to encompass trust and confidence in e-money services; and they developed a strategy for educational messaging that is embedded in service delivery.

# INTRODUCTION

## E-money financial services are a hot topic.<sup>1</sup>

The excitement is palpable as banks, telephone companies, mobile network operators (MNOs), and others across the globe are jumping on the bandwagon, in part spurred by the experience of M-Pesa in Kenya that has witnessed meteoric growth, attaining 15 million customers in the span of five years. In all likelihood, these new providers entered this market assuming that anyone with access to a cell phone would grasp the advantages of branchless banking and adopt it. However, for many, success has been elusive. GSMA's Mobile Money for the Unbanked State of the Industry Report 2012 indicated that at the time there were 150 live mobile money deployments, providing services to 30 million across the globe. However, no more than 6 have active user rates in excess of 1 million and for a majority the active user rate is less than 25%.

Clearly, many consumers do not share the optimism of the e-money service providers. We often forget that it took many low income people time to see the value of microcredit and later micro-savings and micro-insurance. Today's consumers appear to be exhibiting similar cautions in their use of branchless banking services (BB)<sup>2</sup>. While there is some indication that usage is picking up, the more immediate question is, can this process be accelerated?

This paper is based on the premise that the promise of branchless banking for low income users/clients is real, if not realized. Its features are well suited to the ways in which those with limited cash flows and limited tolerance for risk have to manage their money. It offers the user more accessibility to services, more flexibility in transaction amounts and purposes, safer short-term storage, greater control over transactions, timeliness in face of emergencies, and lower transaction costs.

Accepting this promise while acknowledging current low usage raises the question about barriers to adoption. What constrains usage? The answer, we argue, is found in clients' limited trust and confidence and providers' failure to address these barriers. Early research on this topic (Cohen et al. 2008) identified lack of familiarity with banking services, limited trust in the new financial service delivery modalities, and minimal understanding of and/or experience with the technologies as factors that partially explain the gap between uptake and usage. This paper draws on more recent market studies to confirm and expand upon these observations:

- With limited product orientation, clients find the services difficult to use;

---

<sup>1</sup>E-money is money in digital form. For the purposes of this paper I focus on e-money at the retail level as an enabler of branchless banking service delivery systems.

<sup>2</sup>Branchless banking is the provision of financial services through retail outlets that are not traditional bricks and mortar branches, such as ATMs, point of service (POS) devices, and bank correspondents or agents.

- Trial and error with no guidance can readily create frustration and cause people to drop out of the service; and
- Information asymmetries and the failure to articulate the true value of these services to the consumer prevent suppliers and consumers from being on the same page.

In other words, people are being invited to ‘leapfrog’ into the digital age without the tools to use the new technologies and connect the dots.

The central argument of this paper is that consumer education can help build trust and confidence in the use of these new technologies, thereby facilitating uptake and use. Drawing on the findings of a recent multi-country study, VISA concluded “mobile money providers should invest in additional research to better understand their customers’ needs to tailor information, education, and marketing efforts to the needs of consumers and mobile money agents” (VISA 2012). Yet, despite the growing interest in the role of financial education as a way to convince and engage the consumer, there has been much talk but far less ‘walk’ on this topic.

The Consumer Education and Branchless Banking Project (CEBB) undertaken by Microfinance Opportunities (MFO) fills this gap. MFO and its partners in three countries have designed and tested a suite of educational activities and tools to catalyze the usage of mobile banking and electronic cards among low income consumers. Their goal has been to help clients move from high touch to low touch financial services, to understand how to manipulate the technologies to which they now have access, and to trust in the safeguards they contain. In the process, they experimented with two innovations: they broadened financial education content beyond basic money management to encompass trust and confidence in e-money services; and they developed a strategy for educational messaging that is embedded in service delivery.

# THE CONSUMER EDUCATION AND BRANCHLESS BANKING SERVICES PROJECT (CEBB)

## OBJECTIVE

In 2009, MFO, in collaboration with The MasterCard Foundation, partnered with service providers who use various forms of branchless banking in India, Zambia, the Philippines and Malawi to research, design, implement, and evaluate consumer education initiatives that were intended to improve rates of sustained use of branchless banking services. The primary objective of the CEBB project was to design and pilot a suite of activities to catalyze the usage of mobile banking and electronic cards among low income consumers.

Three overarching questions guide this discussion of the project. They are as follows:

- What are consumers' barriers to using e-money services?
- What are the critical factors in financial education that lead to successful adoption and use of branchless banking by low-income populations?
- How can financial education for branchless banking in low-income markets be effectively delivered?

The project ventured into virgin territory where there was little documented experience on which to draw. At the time, simply piloting financial education in this context represented a bold and risky experiment.

## PARTNERS

To implement the CEBB, MFO selected and worked with partners in three countries.<sup>3</sup> Each country project involved partnerships between financial service providers and either telecoms, payments platforms, or smart card providers (see Table 1). While the institutional relationships in each partnership were different, they shared a common goal to increase the volume of transactions. The partners also pursued a common strategy—the use of front-line agents and bank officers as the touch points with clients, responsible for communicating the value of the money services and the mechanics of using the associated technologies. The active partners are profiled below.

### **India: Financial Information Network and Operations, Ltd. (FINO)**

FINO PayTech (henceforth, referred to simply as FINO) is an integrated business and financial service technology firm that provides customers access to formal financial products and services on behalf of local banks. FINO supports a country-wide network of business correspondents, referred to locally as “Bandhus,” who use handheld mobile devices to facilitate financial transactions at customers’ doorsteps or in their communities. Consumers can use their FINO cards (biometric smart cards that display the customer’s photo and store fingerprints, demographic and financial data) to deposit, withdraw, and check balances in their bank accounts.

### **Zambia: Zoona (formerly called Mobile Transactions Zambia Limited)**

With its electronic transaction platform and a network of agents that provide mobile money services to customers, Zoona provides loan disbursement and repayment services for clients of VisionFund Zambia, a microfinance institution. Zoona provides VisionFund clients one-time PIN codes that they use to collect their loan disbursements and make loan repayments at specially designated Zoona agents.

---

<sup>3</sup>MFO’s involvement with the Malawian project component declined when activities were restructured and OBM took the lead. This paper therefore reports on research results and programmatic responses in India, Zambia and Philippines.



## Philippines: The Rural Bankers Association of the Philippines and Microenterprise Access to Banking Services (RBAP-MABS, hereafter MABS)

The MABS program provides technical assistance and training to rural banks in order to increase the financial services, including loans, deposits, micro-insurance, and remittances, for the microenterprise sector. Since 2004, the MABS Program has partnered with G-Xchange, Inc. (GXI), a wholly owned subsidiary of Globe Telecom, a mobile network operator, to develop and to implement mobile phone banking applications and mobile commerce services for rural banks and their clients. MABS has also been working with these rural banks to develop and implement a wide variety of mobile phone banking services by leveraging Globe's mobile wallet platform, G-CASH.

Table 1: Project Partners

Country	Institutional Driver	Partners and Affiliated Institution/s	Technological innovation	Product Functionality Promoted through CEBB
Philippines	Banks	Rural Bankers Association of the Philippines (RBAP), Microenterprise Access to Banking Services program (MABS), and Globe(G-Cash)	A mobile wallet that can transact with a bank account	Deposit Withdrawal Loan repayment Bill Payment Remittances
India	Payments platform	Financial Information Network and Operations, Ltd. (FINO)	Biometric smartcard linked to a bank account and accessed through business correspondents	Deposit Withdrawal Balance inquiries
Zambia	Payments platform in partnership with an MFI	Zoona with VisionFund	Mobile wallet	Loan disbursement and repayment Cash in Cash out Money transfer

## MARKET RESEARCH

To better understand client uptake and use of these new delivery systems, MFO conducted qualitative market research with each of the three program partners in 2010 and 2011. Studies included both focus group discussions with active and non-active customers of branchless banking services and individual interviews with front-line agents and bank staff. The research assessed clients' existing knowledge, skills, attitudes, and behaviors with respect to managing their money and carrying out financial transactions using branchless banking.

Focus group participants were existing clients of the partner institutions. Although many had active savings accounts, most were new to mobile banking in its various forms and were

adjusting to the transition from bricks and mortar banking to e-money transactions. Both Indian and Zambian respondents were equally divided between men and women, while in the Philippines, 75% were women. At over 60%, literacy rates were relatively high. Generally the respondents in these studies can be viewed as an economically active low-income population seeking to accumulate assets.

**Table 2: Characteristics of the Population Samples, by Country**

	INDIA		PHILIPPINES			ZAMBIA
<b>Sample no.</b>	128		123			106
<b>Gender</b>	50% - male; 50% - female		25% - male; 75% - female			45% - male; 55% female
<b>Employment</b>	N.A		62.07% - Male self employed; 77.78% - Female self employed			100% Male self employed;  98% Female self employed
<b>Savings institutions used by gender</b>	Saharanpur: 75% Savings in FINO Cards	Agra: 71% Savings in FINO Cards	Rural/MF Bank NGO Private Lending Gov't Bank Remittance Agency	M 100%  0% 0% 13% 9%	F 100%  1.12% 3.37% 2.3% 2.3%	MFI - 46% Banks (44%) ROSCA Business Mattress accounts Money-lenders
<b>Commercial Bank Account</b>	Saharanpur: 25% - have bank savings	Agra: 29% - have bank savings	Male - 34.78% Female - 25.84 %			Male - 46% Female - 12%
<b>Literacy</b>	Saharanpur - 61%	Agra - 65%	31% have college degree 22% have some college 26% graduated high school 4% have vocational training 17% no high school diploma			64%
<b>Asset ownership</b>	Saharanpur: 100% -mobile phone access 94% own TV 27% own radio 92% own land	Agra: 95% mobile phone access 90% own TV 6% own radio 95% own land	Male: 94% own TV 81% own radio 61% own property/land	Female: 92% own a TV 80% own radio 85% own property/land		98% have mobile phones  92%% have working TV

Source: CEBB

At the time of the market research, all participants had a mobile wallet account or bank card enabling them to undertake banking transactions electronically. However, the use of electronic systems was mandatory in some form for clients of all three partners. In both Zoona and MABS, electronic access to loans, and the use of savings and credit services respectively were mandatory for those involved in the



project. While opening an account with FINO was voluntary, account holders were required to use a smart card.

## BRANCHLESS BANKING FROM THE USER'S PERSPECTIVE: OVERVIEW OF MARKET RESEARCH FINDINGS

Having an electronic bank card or a mobile wallet is not necessarily associated with a widespread awareness and/or use of technology-based financial services.

Indeed, the findings of the CEEB-sponsored market research in India, Zambia, and the Philippines indicate the contrary. MFO identified three categories of barriers:

- limited awareness of the potential uses and added value of electronic technologies;
- limited instruction and problem solving; and
- limited understanding of their security features.

Without a grasp of the inherent value in the technology, consumers were less motivated to overcome their fear of it, and important product characteristics remained unfamiliar, cultivating their mistrust. An overview of the market research findings is offered below.

While many low income people use their mobile phone to make and receive calls and load airtime, the notion of banking by phone is not widely known. The more literate, especially in the Philippines, use text messaging. Yet, even there, where mobile phones and text messaging are common, participants report that a lack of awareness has limited the use of mobile phones to conduct financial transactions:

*"We do not know that cell phones can be used for financial transactions."*

*"I did not know that I can use a cell phone to access my savings."*

*"There is no one teaching me how to use this." (Filipino rural bank clients)*

The sad truth is that people simply do not understand the technologies that they are being asked to use. Service providers had mistaken assumptions about clients' existing knowledge of how to use mobile phones and electronic cards for banking; they did not understand these as learned behaviors. Rather, they assumed that clients would automatically gravitate to the

obvious advantages of branchless banking. As a result, clients were offered limited support beyond a one-off induction demonstration of the mechanics associated with mobile banking. In Zambia, a VisionFund loan officer confirmed:

*"We do not provide training to our customers; we guess they will learn through experience";*

And a VisionFund client similarly observed:

*"We did not receive an explanation on the Zoon service and how to use it".*

Findings further indicated that although people understand the value of budgeting and saving, they are often unable to shift from 'ex post' (backward looking exercise to see where the money has gone) to an ex ante behavior that involves forward planning. Daily financial pressures combined with unexpected expenses keep them from taking pro-active decisions regarding budgeting and saving for the future. And yet, mobile technologies can facilitate ex ante behaviors with safe, short-term storage to protect funds from daily demands and the ability to transact frequently and conveniently. If they can master the technology, users can be in control of their transactions and bank at lower costs. However, the fact that users were neither aware of nor educated about such benefits offers significant insight into low use. The majority of their financial transactions take place in the informal sector and the knowledge, skills, and attitudes associated with managing money do not 'naturally' or seamlessly translate to branchless banking.

Instead, customers focused on those features of the technology that made them nervous as they were expected to shift from the familiar, high touch bricks and mortar institutions to low touch electronic transactions. Users were uncomfortable with the absence of a physical building that represents power and security. They reported lukewarm reactions to mobile agents and the appearance of many of the payment kiosks. These doubts were accentuated among those that did not understand the concept of cyber space and could not see physically where their money was being held.

Market research also revealed that new forms of security, notably the PIN number and the SMS transaction verification, exacerbated initial confusion. In Zambia, the VisionFund clients misplaced or forgot their account PINs or forgot the purpose of the PIN they received in a text message. In the Philippines, some clients were concerned that their PINs could be accessed by telco employees, while FINO clients in India expressed concern that their fingerprints, used to access their biometric cards, might be shared with the government. Clients also reported mistrust of new forms of verification associated with branchless

banking; for example, many did not recognize the legitimacy of a transaction confirmation via SMS.

Looking to consumer education to address barriers to increasing the use of branchless banking, thus, calls for an understanding of the reasons for two significant gaps in clients' financial behavior: lack of trust and confidence.

## **‘LEAPFROGGING’ ACROSS THE DIGITAL DIVIDE: TRUST AND CONFIDENCE**

For the majority of those at the bottom of the pyramid, signing up for and regularly using branchless banking is a leap into the unknown.

It requires that they have:

- willingness to conduct bank transactions within the formal financial sector which in the past has not welcomed them,
- trust in technologies and in institutions they do not understand, and
- confidence in their ability to successfully manipulate the technologies.

For our purpose, trust is defined in terms of the relationship between an individual and service provider including factors such as security of funds, mutual respect and integrity, and access to services as advertised. Confidence refers to the internal capability of an individual to do a task, in this context to transact money electronically.

### **TRUST**

Enabling the use of the mobile money services and bank cards to their fullest potential requires trust. Its absence impedes regular use (McKay, C and M. Pickens, 2010; Visa 2012). Trust is an evolving relationship between the customer and a financial institution. It grows out of successful transactions during which the service provider is perceived to meet client expectations. Trust may emerge from direct personal experience or can develop through exposure to the experience of peers. It can be derived from word of mouth, from social networks, or other information channels. When social capital is absent, trust in commercial settings can be established through formal agreements and contractual arrangements that define the terms of the relationship and reduce uncertainty around its outcome. But these are

less relevant and applicable in low-income markets where contract enforcement is costly and time-consuming relative to available resources.

Central to the notion of trust is the very real question: can I depend on this institution to safeguard my money? Poor consumers especially have reason to be cautious; historically, banks have had little interest in their business; poor people perceive that they are too poor to benefit from bank services and would be highly vulnerable to the negative consequences of failure to comply with contractual obligations. Common concerns among the poor (and often misperceptions) about banks are that they will lose their house if they are late with loan repayments, that they will lose their money if the bank fails, and that banks are not interested in protecting their financial interests. Furthermore, until recently, the image of a bank as reputable and trustworthy has been closely associated with bricks and mortar establishments. As clients of existing financial institutions, study respondents said they trusted their financial institutions, but as users new to branchless banking, they are exposed to institutional relationships that they often do not understand, and hence, are hesitant to trust. Focus group participants report more skepticism about bank agents or MNOs. In India, many FINO clients thought that FINO was affiliated with the State Bank of India:

*"The agent told us that the government is trying to help us by asking us to take FINO cards and we felt it best to take the government's help".*

In fact, FINO is an agent of multiple banks, offering its clients the security of a bank account. But the relationship between the banks and FINO caused sufficient confusion ensuring that it was among the topics addressed in the FINO agent's consumer educational tools.

The absence of a solid building undermines client trust in the institutions that offer branchless banking. FINO's business correspondents who serve the communities in which they live and are referred to locally as "Bandhus," use handheld mobile devices to facilitate financial transactions at customers' doorsteps or in their communities. But without an office, the notion that this person represents a trustworthy bank located at a distance from the village can be difficult to grasp. As noted by one FINO customer:

#### **Box 1: An 'on-ramp' to Branchless Banking?**

Only a few VisionFund clients had used Zoon's remittance services. The others preferred to use established but less reliable transfer mechanisms such as Swift Cash or a bus driver. One participant explained the rationale behind this behavior: "loan related activities were the only VisionFund service to which they have been formally introduced" (M and N Associates, 2011).

In the Philippines where mobile phone penetration is high, G-CASH and SMART were early entrants into the electronic remittance market. Again, only a few of those interviewed had used these services; instead they preferred sending money through informal channels, even though they are more expensive and less secure. As with VisionFund clients, nearly 60% of rural bank clients in the Philippines used only the mobile bank services for which they had received an orientation. As one agent noted: "I don't have clients who use G-Cash transactions other than for loan payments." (MICRA 2010)

*"We cannot trust an agent alone; there should have been at least an office".*

In Zambia, ZoonA premises did not inspire confidence either. The kiosks of the electronic payments provider are small and prone to congestion, drawing clients' comparisons to them as 'tuntembas', a term used to denote street vendor outlets.

Against a backdrop of uncertainty caused by the absence of physical infrastructure, ZoonA clients were expected to make virtual loan repayments with agents, exchanging their familiar cash-based experience involving at-home hiding places, or membership in ROSCAs for transactions with an unfamiliar type of service provider. Moving from the familiar to the unfamiliar requires a leap of faith.

As noted above, trust can be built with positive experience. Radcliffe and Voorhies (2012) argue that remote payments are an effective gateway to the use of branchless banking. They contend that payments can help to overcome trust barriers by presenting opportunities for transaction verification. In Kenya, M-Pesa only took off when consumers saw the added value in using the payments platform to perform the routine financial activity of every urban migrant -- to send money home. Working with M-Pesa clients, Johnson (2012) and Stuart and Cohen (2011) observed that a majority of these transactions take place within trusted social networks, making verification easier.

Yet, for many of the CEEB participants, their on-ramp to mobile banking was not payments but rather the use of mobiles to access loans. This was striking because both ZoonA and G-Cash, in Zambia and the Philippines respectively, offer mobile domestic and/or international remittances services. Yet, few of those interviewed used them. As the comments in Box 1 suggest, the knowledge, skills, and attitudes needed to transition from informal or traditional formal financial services to mobile banking are not intuitive; they are learned behaviors.

Unfulfilled expectations contributed to clients' mistrust. Although liquidity is presented as one of the advantages of branchless banking, CEEB's market research revealed that the branchless banking providers were not meeting some clients' expectations in part due to miscommunications or misunderstandings. Although some FINO Bandhus promoted cash deposits as accessible as an ATM, FINO clients complained:

*"the Bandhus fail to give money when we require it"*

*"I wanted to withdraw 1000 rupees, but Bandhu said there is no money so cannot withdraw now...what was promised was not adhered to."*

In fact, FINO set a limit on the maximum amount of cash that Bandhus are allowed to carry on their person at any given time in order to minimize the risk of theft. Clients who need to withdraw larger sums of money need to notify the Bandhus in advance so that the Bandhu is prepared with the cash.

In the case of VisionFund clients, operational glitches often meant that:

*“the Zoon agents often do not have the cash so there can be no disbursement to the group”* (VisionFund borrower).

The inability of clients to access their cash when they needed it puts both VisionFund and FINO agents in a disadvantageous position relative to alternative savings options. Given that the poor juggle multiple financial instruments in their daily struggle to make financial ends meet, access to cash when needed is critical. Studies based on financial diaries in other countries have also confirmed the importance of timely access to funds.

Getting help when needed was a second concern highlighting poor customer service. In all three countries, focus group participants expressed insecurity about both where to get help and the cost of doing so when the office is far away.

*“Bandhus are not contactable on the phone at times we need him”* (FINO active client).

*“It can be difficult and costly to ask for help when you have technical problems. Correcting a problem can take a whole day plus transport”.* (Philippines FGD participant)

Knowing that it is possible to seek recourse when things go wrong, coupled with evidence of positive solutions, builds trust. Without such knowledge and experience, poor clients feel more vulnerable to potential loss.

Lastly, to use a financial institution, clients need to have trust in the security of their money. PIN numbers and biometrics serve to ensure the safety and confidentiality of transactions. However, as noted earlier, the market research indicated that clients have limited understanding of these security features.

Recognizable verification also helps clients trust their transactions with a financial institution. For most clients, confirmation of a transaction either occurs informally using social networks or is structured into the product. In FINO, the Bandhus<sup>4</sup> do the transactions on behalf of the clients and give them a receipt, but these fade quickly. In the Philippines, confirmations of transactions are sent to MABS clients via SMS, but they did not recognize the message they received as a confirmation. The solution was simply to compare screen shots of the electronic confirmation with paper receipts.

---

<sup>4</sup> Bandhus are also known as business correspondents and agents.



Clearly, building trust in branchless banking is a multi-layered process that must confront the client interface with the institution, including the transition to new ways of transacting, as well as the clients' understanding of the service and its security features. Institutions, for their part, have to honor the promises they make, meet client expectations, and commit to customer care.

## CONFIDENCE

For poor people with volatile financial lives, the perceived vulnerability to losing money is a driving force in their financial decision making. Network failures, unreliable help services, and lack of available liquidity discussed above reinforce these fears, but they are also issues over which consumers have little control. They can, however, control the art of transacting. Yet, technology use, especially for those over age 40, is not intuitive; it needs to be learned. When consumers master the technology, they build confidence and gain control over their finances. If they are not empowered to manipulate these technologies, fear persists and confidence remains elusive. For low income consumers, crossing of the digital divide often involves confronting a crisis of confidence.

Confidence is acquired through direct experience (in this case with manipulating the technologies associated with branchless banking) or observation of others. Confidence in branchless banking occurs when customers accept the reliability of virtual money flows and are able to conduct transactions without fear of making mistakes that might lead to loss of funds.

Market research data indicate that clients did not always get the help that they needed to make the transition from bricks and mortar to branchless banking. Agents either gave insufficient instructions or performed the transactions themselves on behalf of the customer:

*"I attended an orientation in the bank but I still did not understand how to do the process of sending, etc."* (FGD participant, the Philippines)

*"The account officer did not orient us on how to use this service; he just said that instead of going to Tanuan, we could pay (the loan payments) here at the Talisay drug store through G-CASH. So when we went there we just tell them at the store that 'we want to pay our loans.'"* (FGD participant, the Philippines)

*"If you lose your phone you will lose your G-CASH wallet".* (Philippines FGD participant)

Clients' persistent confusion and resulting lack of confidence vis-à-vis electronic transactions have two critical consequences: clients will drop out or stop using the service out of frustration, or they will turn to the agents or to their children to transact on their behalf. Many MABS clients reported that they found it simpler to just hand over their phones. For their part, agents, who often had other retail responsibilities, said that doing the transaction themselves was faster and more efficient than supervising the client as she learned to do it herself. While helping the client to do her own transactions may be time consuming, the more 'efficient' approach risks violating her right to privacy.

Agents may prefer to transact on behalf of the client because they have not developed the skills to clearly communicate the mechanics of transactions to clients. Market research found inconsistencies in what agents were telling clients.

In the course of this market research, clients of CEBB partners revealed that branchless banking, while new and exciting in the eyes of the providers, was not logical and straightforward for them. That people need to develop trust and confidence to make these transitions suggests an early role for consumer education. While responsibility for some of the trust issues lies with the institution (e.g. effective and accessible help services, responsive, and responsible agents), consumer education can correct misinformation, clear up confusion about PIN numbers and SMS receipts, and perhaps most important, help clients realize the benefits of transacting electronically. Effectively addressing clients' legitimate concerns about verification and security of funds will go a long way to building the trust that is a critical missing link between branchless banking and poor consumers. Simple and clear instructions combined with practice in manipulating the technologies will help build their confidence that these are functions that they can perform themselves.

At the heart of this situation is the building of both trust and confidence in the use of the new types of banking instruments. In a recent GSMA report on women and mobile financial services in emerging markets, lack of confidence and trust were cited as *'significant but not insurmountable barriers to wider adoption of mobile financial services'* (BFA 2013).

Clear messages and relevant content, appropriately delivered, are necessary to building trust and confidence in branchless banking. The next section of the paper looks closely at how these insights were turned into actions.

# TURNING INSIGHTS INTO ACTIONS: BUILDING FINANCIAL CAPABILITIES

Service providers seem to have misplaced assumptions about clients' capability to transition from the familiar to the unfamiliar in financial transactions.

Using consumer education to help clients overcome hurdles of missing trust and confidence has been the mission of CEBB, and in striving to realize this goal, MFO and its partners have taken financial education in a new direction, expanding its applications and methods of delivery.

Consumer education, which focuses on trust and confidence, represents an innovative addition to the conceptualization of financial capability. The design of the CEBB draws on Microfinance Opportunities' (MFO) extensive experience gained during the implementation of the Global Financial Education Program (GFEP), launched in 2006. Designing curriculum and training trainers globally, the GFEP enabled low income populations to make informed choices among formal and informal financial services. Personal financial management – managing debt, saving, and budgeting – was at its core. The changing financial landscape, with its increasing emphasis on digitization, is opening up new frontiers for financial education, adding topics related to technology-enabled service delivery. For the purposes of this paper, we distinguish between financial and consumer education in the following manner: financial education targets personal financial management, and consumer education encompasses trust and confidence which are achieved with technological literacy and operational know-how. Both are essential components of financial capability, the definition of which is broadened by the addition of consumer trust and confidence.

This innovation, expanding the meaning of financial capability to help low income clients cross the digital divide, led MFO and its CEBB partners to a second one -- the deconstruction of selected themes. For the purposes of consumer education, financial management decisions are distinct from the options one chooses to implement them. For example, the decision to save more is distinct from the choice to deposit money in a financial institution. To date, most financial education programs have tended to conflate the two. MFO and its CEBB partners have learned that, in fact, they should be addressed separately. In the context of the CEBB, clients were often ready to increase savings, but the factors affecting where to put those savings -- trust in the institution, trust in the technology, and confidence to use it -- are separate elements that can be addressed in a variety of sequences depending on the circumstances. The consumer education components implemented under the Consumer Education for Branchless Banking project (CEBB) recognize that behavioral change is an

incremental, complex and usually slow process in which different interventions promoting product usage build on each other.

## **BUILDING AWARENESS AT THE BEGINNING OF THE CUSTOMER JOURNEY**

The regular use of technology based financial products is a set of learned skills and requires accompanying consumers as they move along a trajectory from current to new behaviors.

Experience is showing that successful consumer education in electronic banking, like traditional financial education, requires a multifaceted approach with key messages delivered frequently through different channels. Furthermore, the new technologies shift the emphasis from personal financial planning and decision-making to the client interface with technology and its new modalities of delivery. This has implications for content and timing. Other insights relate to the form and delivery of messages and the sequencing of actions to maximize results.

The discussion that follows focuses on the sequence of activities to translate behavioral insights gleaned from market research to the actions designed to stimulate greater usage of the branchless banking instruments.<sup>5</sup> Although the evidence, insights, and actions are broken out by country, as each partner pursued its own educational objectives responding to barriers specific to their clients, the clients across countries faced common hurdles. To overcome these hurdles requires behaviors that involve the adoption of:

- new knowledge – understanding the value of the service, steps for transacting and troubleshooting mechanisms,
- new skills – capability to transact without an agent, and
- new attitudes – recognizing the safety, security and reliability of electronic or mobile transactions.

While the primary focus of the discussion below is on the themes of trust and confidence, when appropriate, the role of money management training is also considered. This section

---

<sup>5</sup> The discussion is limited to activities that were designed and delivered by MFO.

ends with a discussion of the role of intermediaries who are the links between or touch points connecting the service provider and the client, and the key role these intermediaries can play in facilitating financial product use.

## FINO - INDIA

FINO has long had a strong social agenda supporting financial education for better personal financial management, including increased savings. To meet these goals, FINO also conducted direct savings training for its clients. Participants rated this training highly, noting that prior to working with FINO, no external institution had come forward to help them save. Most participants saved *ex post*, an amount left over after expenses had been met. To plan ahead meant changing this behavior to *ex ante*, demonstrating to the participants that they themselves have the ability to save and know how to do it. Workshops were conducted to address both savings and budgeting, and to introduce different types of products and services. For FINO, the broader goal was both to increase levels of savings and to promote the transfer of mattress savings to a FINO account. Put simply, it was to have clients save more and save at banks through FINO.

The central objective of the FINO consumer education program was to increase deposit mobilization among rural and peri-urban communities. It required a two-pronged approach:

1. to build consumer trust and confidence in depositing hard earned cash with the Bandhus (the correspondent agents for the client banks), and
2. to increase the volume of savings.

FINO clients had little trust in the system. Many of those who signed up for FINO accounts didn't understand what the card was for and found that the Bandhus were inaccessible. Furthermore, they were confused about FINO's relationship with the banks for whom it serves as an agent. As a result, the FINO consumer education strategy centers on the interaction between the Bandhu and the client.

Table 3: Evidence, Insights and Actions: FINO

	Evidence	Insights	Actions
<b>Create awareness</b>	<p>Huge client uptake but minimal usage and limited understanding of product.</p> <p>Messages lacked clarity and consistency about value of card and its use by Bandhus.</p>	<p>Limited Bandhu capability to explain benefits and how to use services.</p>	<p><b>Objective:</b> Strengthen agents' technical understanding of FINO, its services, and their value to clients</p> <p><b>Tool:</b> Flip book used by Bandhus raises awareness of FINO and smart cards among potential clients during orientation.</p>
<b>Build client trust</b>	<p>Clients worry about the legitimacy of the institution as a financial service provider and fear for the loss of their money.</p> <p>Clients view Bandhus as individuals vs. staff or agents affiliated with a reputable financial services provider.</p> <p>Failure to understand the receipt from an agent raised doubts about the service provider and their use of the service.</p>	<p>Clients confused about role of FINO as third party provider of financial services.</p> <p>Clients did not understand responsibilities of the Bandhu.</p> <p>Expectations were not met.<sup>6</sup></p>	<p><b>Objective:</b> Confirm that FINO acts as an agent for banks</p> <p><b>Tool:</b> Flip Book used by Bandhus: provides information on FINO and presents logos of its client banks.</p> <p><b>Objective:</b> To build transaction capabilities</p> <p><b>Training:</b> Two-day workshop that demonstrated process for transacting, to help clients understand what to expect, how to read and keep track of their receipts, and how to trouble shoot.</p>
<b>Ensure effective delivery of messages</b>	<p>Bandhus' interaction with clients centers on their facilitation of client transactions.</p> <p>Bandhus lacked training and communication experience.</p>	<p>Bandhus have limited time to educate clients.</p> <p>Bandhus do not have capabilities to conduct training/workshops.</p>	<p><b>Objective:</b> To enable Bandhus to deliver concise messages in a few minutes either before or after a transaction</p> <p><b>Tool:</b> Flipbooks</p> <p><b>Training:</b> Bandhus trained to use flipbooks to communicate key messages while workshops are conducted by trainers.</p>

This 'touch point' is a pivotal opportunity to facilitate a conversation between the two; the tool is a flip book which presents financial management topics as well as frequently asked questions about the FINO card and service. The flip book is structured to allow Bandhus to customize the information given to the client and ensure consistent Bandhu messaging across the FINO Bandhu networks (see Table 3).

<sup>6</sup>Confidence to use the technology was not a significant issue because Bandhus perform the actual transactions on POS device. Clients just hand them the card and receive a paper receipt as confirmation. Many times the receipts are faded.



## MABS - PHILIPPINES

The MABS staff saw the CEBB project as an opportunity to raise rates of regular usage of the rural bank's mobile services. The market research identified a reluctance by clients to transact on their own, a confusion over the lack of paper receipts to confirm these transactions, and an uncertainty on what to do when faced with problems such as network failures while transacting. Lack of trust and confidence emerged as key constraints underlying these behaviors.

Table 4: Evidence, Insights and Actions: MABS

	Evidence	Insights	Actions
<b>Create awareness</b>	Merchants and clients were trained to use one specific function (e.g. text-a-payment).	Clients were not aware of the full range of available mobile banking services.	<b>Objective:</b> To expand client awareness of full range of mobile banking services  <b>Tool:</b> Poster showing how mobile banking transactions (deposits, withdrawals and loan payments) can help clients save time and money, and steps for signing up.
<b>Build client trust</b>	Clients don't understand built-in security features (PIN, SMS confirmations).  Clients do not know what to do if signal fails during a transaction or if they do not receive an SMS transaction confirmation.	Lack of trust associated with SMS receipts and confidence in using PINS.  Clients want to know how to manage problems that occur while transacting.	<b>Objective:</b> To allay fears and increase usage of mobile banking services. <b>Tool:</b> Starter kit for client that includes guide on how to read an SMS confirmation and compare with a paper receipt; provides trouble shooting tips to common problems.
<b>Build Consumer Confidence</b>	Customers relied on merchants or children to perform transactions for them.	Clients lacked confidence to perform transactions on their own.	<b>Objective:</b> To let clients learn by conducting their own transactions  <b>Tool:</b> Starter kit for client: guide using screen shots to explain step by step transaction process.  <b>Training:</b> For bank staff to demonstrate to clients how to do transaction process.
<b>Ensure effective delivery of messages</b>	Training and reference materials needed for merchants as well as for bank staff to support uptake and usage.	Bank staff and agents need to improve their communication with customers.	<b>Objective:</b> To build the capabilities of Bank staff and agents  <b>Tools:</b> Flip book for bank staff that reinforces sales pitch and illustrates how services and benefits relate to clients' everyday life.  <b>Starter kit:</b> Provides bank staff and merchant/agents a structured process for sales pitch and a reference guide to support training of new personnel.

With the advantage of a relatively literate target population, printed matter was developed to address gaps in knowledge, skills, and attitudes. A starter kit for clients allowed them to compare screen shots of SMS confirmations with paper receipts. Posters were hung in the merchant's/agent's store and the bank's office for the purpose of both promoting the rural banks' new mobile banking services and illustrating the benefits of using a mobile wallet to carry out bank transactions. Bank staff and agents also used a flip book and a starter kit that

facilitated both consistencies in the messages communicated to clients and options for customized advice. These tools were designed within constraints of the time available to interact with the client -- 15 minutes for bank staff and no more than 3-5 minutes for merchants (see Table4).

## ZOONA – ZAMBIA

More complex, Zoona offers an opportunity for interesting comparisons with FINO and MABS. First, the lead agency in this program, Zoona, is a payments platform operating in partnership with an MFI, VisionFund. The presence of two service providers with different goals not only created two separate channels for delivering key messages, but each had a different role in the transactional process. Under the partnership, VisionFund clients who participated in the project were required to use a mobile phone to access their loan, and hence, needed to have a SIM card and access to a phone. Following SMS notifications of disbursement dates, clients go in their groups to a Zoona shop to get their funds. Unlike the other partners, VisionFund used a group lending methodology that required the Zoona agents to interact with groups as well as the individuals within the group.

Reflecting their respective roles, VisionFund and Zoona used both financial and consumer education to address different aspects of the process. In keeping with its group methodology and development goals, VisionFund trained its credit officers in personal money management which they could then share with clients at their monthly group meetings. During this time, VisionFund credit officers also explained and promoted the new Zoona service. Typically, they allocated approximately 20 minutes to this activity. Credit officers used a curriculum and a set of training posters to deliver the training.

Zoona focused on the mechanics of transacting at the time of loan disbursement to the group, reinforcing what members had already learned from their VisionFund credit officer. The messages were communicated by agents at fixed locations prior to or after loan disbursement, generally taking no more than five minutes, with usually an additional five minutes if groups asked questions. As with the other project partners, Zoona sought to ensure that a consistency in messages spread across its agent network. Posters were developed for agents and used primarily as educational marketing materials about Zoona's services.

Table 5: Evidence, Insights and Actions: Zoona

	Evidence	Insights	Actions
<b>Create awareness</b>	Clients were not sure how to use electronic loan disbursement service. Clients did not understand the benefits of the service. Clients were confused about process of loan disbursal and repayment.	Limited capability of VisionFund credit officers to explain and promote the service called for back-up and reinforcement from Zoona agents. Zoona agents could not explain clearly to clients how to use Zoona to receive loans.	<b>Objective:</b> to build capabilities of credit officers and Zoona agents  <b>Tools:</b> Curriculum, posters and customer activity book that help credit officers train groups on money management. <sup>7</sup>  Posters, handout sheets: Available at Zoona shops. Sheets explain loan disbursement/repayment procedures.
<b>Build client trust</b>	Clients are concerned about the physical security at agent kiosk.	Clients worry about theft and physical safety at agent kiosks.  Clients often unaware of the other services Zoona offers.	<b>Objective:</b> to demonstrate to clients how Zoona addresses security <b>Tools:</b> Customer activity book, posters showing pictures of security guard. <sup>8</sup> Posters referenced other Zoona services.
<b>Build Consumer Confidence</b>	Limited understanding of procedures for carrying out transactions, including the required customer information (e.g. identification card, PIN). SIM cards frequently inactive.	Clients not familiar with SMS messages. Lack of information on how to manage technical problems and seek recourse.	<b>Objective:</b> To clarify use of Pins <b>Tools:</b> Customer activity book. Content provides tips on how to keep SIM card active, and discusses the need to inform VisionFund Credit Officer immediately if new SIM card is purchased in order to avoid delay in loan disbursement.
<b>Ensure effective delivery of messages</b>	VisionFund credit officers reluctant to “promote” a BB service that is not working well operationally for them or their clients.	Need to build capacity of Zoona agents and VF credit officers to communicate the Zoona service to clients. Need to increase credit officers’ understanding of the Zoona service and ability to troubleshooting.	<b>Objective:</b> to build capacity of Zoona agents and VF credit officers to communicate effectively about the Zoona service to VF clients <b>Training and Tools:</b> Training-of-trainers (TOT) workshops, guides, and training posters for VF credit officers and Zoona agents focusing on how to orient VF clients to Zoona services.

## CONSUMER EDUCATION CAMPAIGN: A PACKAGE OF EMBEDDED ACTIVITIES

At points within this paper, we have argued that consumer education that results in behavioral change is an incremental process and that there is a complementarity between activities such that the knowledge, skills, and attitudes (KSAs) underpinning the design of one activity can support another. The outcomes from the MABS project support this premise<sup>9</sup>. We

<sup>7</sup> Topics covered include debt management, budgeting, loan disbursement and repayment, and money transfers.

<sup>8</sup> Physical safety is a management issue and not a theme to be addressed by the education. However, shortly before the CEBB pilot began, Zoona began stationing security guards at select agent kiosks during peak times for loan disbursements.

<sup>9</sup> See Section 7.3

also recognize that effective financial education should meet certain criteria including quality, relevance, and frequency of delivery or exposure (Gray et al 2009).

So far, the paper has touched on the why and what of consumer education. Now, the paper will briefly address the ‘where’, the ‘who’ and the ‘when’. The CEBB strategies designed for each partner sought to embed education within an organization so that it becomes integral to the launching of new activities. We define the concept and practice of ‘embedded’ consumer education as making the content product specific and its delivery part of the providers’ interaction with clients. To realize the promise of branchless banking for the poor, MFO found that such an embedded approach is the most effective and efficient way to affect the behavioral change needed; it reaches clients at the moment they confront the technologies that inhibit them, at ‘teachable’ moments.

One key to embedding consumer education in product and service delivery is to identify the intermediary who links both the client and the service provider at the appropriate ‘touch points’ that will provide the opportunity for the two parties to communicate on all the issues raised above. Touch points include the orientation meetings, the moment of a transaction at a financial institution, or the agent’s kiosk and regular group meetings. In the three projects of the CEBB, the agents proved to be key touch points, while credit officers of VisionFund (Zambia) and MABS (Philippines) also played this role. Yet, market research revealed two critical challenges associated with relying on agents to provide consumer education:

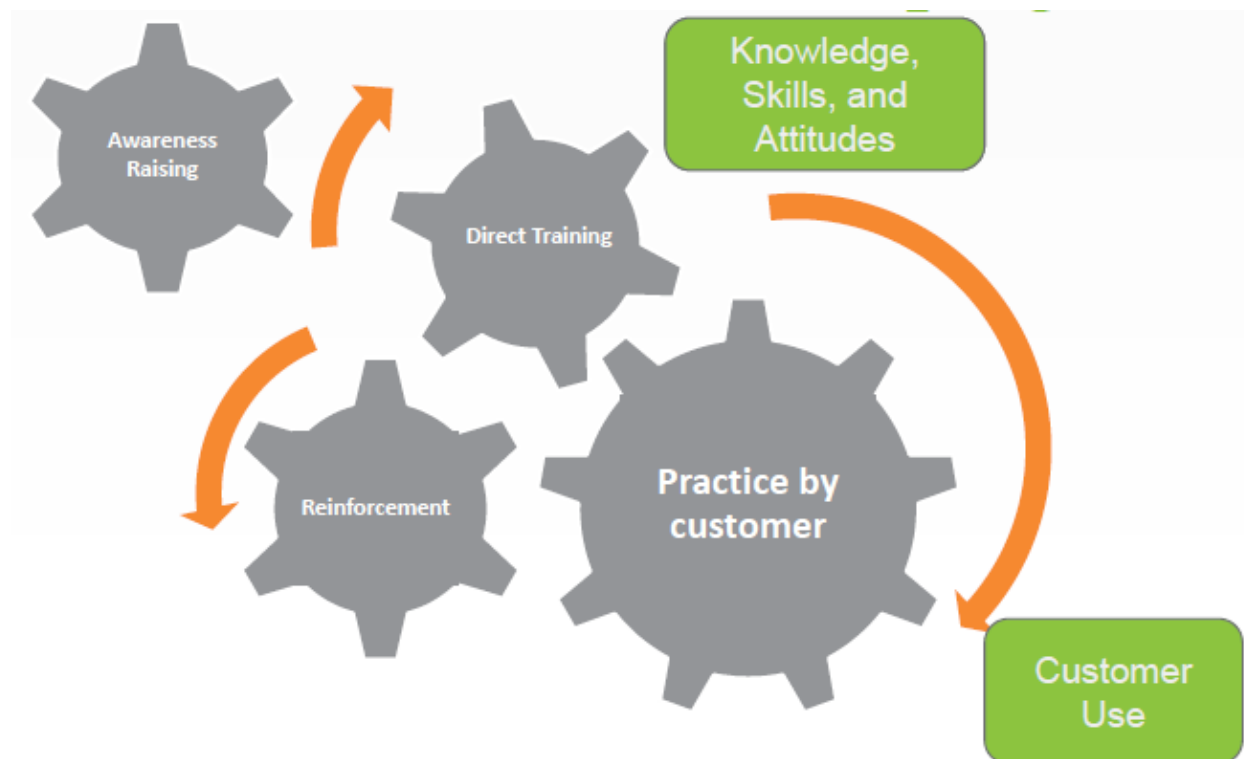
- Agents were not effective educators; often they were no more financially literate than their customers, and training people was not part of their core skill set. They too needed to better understand the value of the BB services and how people can best use them.
- Fulfilling multiple roles, agents often did not have enough time to work with a group of clients. To put this in perspective, one African retailer whose cashiers also serve as bank agents indicated that the optimal time for one client interaction was 45 seconds (2012 Workshop communication). The upper limit for most agents is probably five minutes.

If consumer education is to be embedded in the work of agents, its design must correspond to the minimal time the agent spends with each client. CEBB proposed brief activities that are flexible so that agents and loan officers can customize their interactions with clients to both accommodate their limited time and meet client needs. The tools developed to communicate the messages include flip books, customer starter kits, and customer activity books. Posters also serve as reference points for the agent and clients, helping to generate discussion about the new services and the ways they can be used (see Tables 3, 4, and 5). The design of these tools and how they are implemented are informed by widely acknowledged best practices in adult pedagogy that emphasize learning by doing and interactive dialogue. The tools ensure that information provided is less variable and more accurate across the organizations, as well as being tailored to the capabilities of both those sharing information and those receiving it.

Training sessions were developed and conducted to enable agents to acquire the knowledge and skills they needed to answer the customers' most frequently asked questions.

With multiple activities included in the consumer education strategy for each organization, the last question is, how do they relate to each other? Past experience has shown that frequency of messages in different forms enhances the likelihood of behavior change (Gray et al., 2009).

**Figure 1: Key Elements of a Consumer Education Campaign**



Source: Jaramillo and Lee (2011)

Figure 1 above shows intertwined sets of consumer education activities. The component activities in each country were conceived as a set of interlocking gears, working together to develop financial capabilities (Jaramillo and Lee, 2011). They build inflexibility about what and how much information is shared at any one time, and how much time the agent or loan officer can spend with the client and the client can spend learning and trying out the products. For agent/merchants, conducting mobile money transactions is usually only part of their kiosk-based business.

The process begins with awareness raising. Articulation of the messages can be achieved by direct training<sup>10</sup> which focuses on client understanding and persuasion. It equips customers with the knowledge, attitudes, and skills needed to adopt and use the new service. Practice

<sup>10</sup>This training can take place in different ways such as training given through merchants, leveraging monthly group loan meetings or through classroom training.



by the customer to apply their new skills—includes an uptake and a trial period with the branchless banking service, a step that is also necessary to build financial capabilities. As this trial gradually translates into regular usage, messages are learned through ongoing reinforcement; as new behaviors become more routine, they are retained (Jaramillo and Lee, 2011).

## LESSONS LEARNED

### A CLIENT CENTRIC APPROACH TO CONSUMER EDUCATION

The paper argues that consumer education begins with an understanding of how the target population manages money and uses financial services. This calls for acknowledging risk as a key factor driving financial behavior. As noted, branchless banking, in all its forms, is often initially perceived by the poor to present risks. However, this can be overcome with time as users develop trust and confidence in the new electronic channels. This project offers invaluable insights into what ‘putting clients at the center’ means when introducing a financial innovation. Change does not take place in isolation but occurs in relation to all financial options and behaviors, many of which have been honed over the years. Hence, it is important to recognize and understand where the clients were coming from and how they used existing financial services; this was our point of entry on the demand side.

On the supply side, attention focused on facilitators of the desired changes – agents, credit officers and other bank staff – the ‘touch points’ where demand meets supply. These points of contact involve the transmission of knowledge, skills and attitudes that lead to new behaviors and opportunities for learning about products, operations and the supply side processes. They can also provide insights into what does and does not work for clients.

Since branchless banking is still relatively new, this project must be viewed as exploratory. The transactional activities we observed, as well as the proposed interventions, are works in progress. Providers still have to improve their services and fix technological glitches. For example, in FINO, an absence of Bandhus often means that account access and the convenience of cash in/cash out services on demand are not available as promised. The success of Zoono depends on client access to a phone and ownership of a SIM card to receive SMS notification of the date of their loan disbursement and the PIN number that will allow them to access it. However, many Zoono clients do not own a phone, and they use a SIM card only for purposes of loan disbursement from Zoono. Inactivity for three months will trigger de-activation, posing a challenge for clients particularly when the loan cycle is four months (Jaramillo and Lee, 2013). Many also forget the PIN number because they did not understand its purpose.

## BROADENING THE FINANCIAL CAPABILITIES AGENDA

What constitutes successful financial education is still the subject of vigorous debate. MFO's CEBB project has required a re-examination of this question in a new light. Starting with the client, it has become clear that financial education with its emphasis on personal financial management is but a partial response to achieving financial capability. Low-income consumers must also develop the trust and confidence they need to 'leapfrog' across the digital divide to comfortably use the electronic financial services of this century. Successful financial education develops the tools for more effective personal financial management, while consumer education is more closely associated with building the trust in a financial service provider and confidence to use the technology to conduct financial transactions successfully.

Since, at the beginning, these technologies are perceived as high risk by a target group that prioritizes minimizing vulnerability, the task at hand is significant. This paper highlights how the CEBB sought to help clients understand the value of the technology enhanced services, trust their security features, and become comfortable with their mechanics.

Just as the content of financial education has been broadened, so has its forms and delivery. The activities proposed recognize that *time is at a premium for all the players*, the clients, the service provider staff and the agents. They prioritized short, one-on-one interactions with clients that can be either direct training or reinforcement of training that clients have already had. This form of direct training, akin to counseling, allows for more customized attention to the consumer, an important advantage when promoting behavior change. The project's tools and activities take advantage of 'teachable moments,' that occur when the education is delivered at the time and place of transaction.

## CONSUMER EDUCATION: IS IT A WIN-WIN FOR CLIENTS AND SERVICE PROVIDERS?

Getting poor people to leap across the digital divide in the provision of financial services was the goal of the CEBB. Together, with expanding the meaning of financial capabilities we have tested an embedded approach that appears to offer a win-win situation for the client and the service provider/s.

In our evidence-based world, the key question is, what proof do we have that implementing a strategy based on building trust and confidence makes a difference to client-use of digital financial services and the provider's bottom line? The short time frame between implementation and measurement of outcomes clearly constrains any assessment of the full impact of the consumer education. Moreover, service disruptions make it difficult to reliably measure frequency of use.

However, preliminary insights suggest that we are moving in the right direction. Savings levels at MABS and FINO rose, an important goal of the financial service provider. This is, in part, attributable to the financial education on savings offered by both organizations. However, these new savings were largely held at home, stored under the mattress, rather than with these formal financial institutions' supports. This observation supports the conclusion that behavioral change is slow and incremental. It will be interesting to return to the FINO project and see what happens.

Building trust and confidence in using branchless banking broadens the meaning of financial education and in turn sees it as a necessary component of building financial capability. Frequency of usage is regarded as an important indicator of this type of behavioral change. However, intermediate outcomes – the capacity of agents to communicate and facilitate the use of the new technologies – are key. In the Philippines, this approach, together with take-away tools for clients, proved effective. Agents noted that levels of cell phone banking went up in the treatment group compared to their control groups who received no consumer education. Engaging low income people in the learning process, tested here, suggests that explaining features of branchless banking to clients in terms they understand and working with them to master the conduct of successful transactions is a valid goal of consumer education and one that is achievable (Lee and Jaramillo, 2013).

We also note that uptake and usage were affected by each of the partners' operational issues. As noted at the beginning, all of the partners were at the early stages of introducing branchless banking. Over the course of the project, it became apparent that operational hurdles affected both the delivery of the branchless services and the impact of the consumer education activities. Having paid limited attention to the client perspective on digital services, these were new insights to the service providers.

## **MOVING FORWARD: BUILDING FINANCIAL CAPABILITIES IN BRANCHLESS BANKING**

Financial education, targeting personal financial management, trust and confidence can build financial capabilities and facilitate financial outreach.

The emerging but still tentative evidence is that client engagement demands enough time to get people over the 'hump' and build the trust and confidence in these alternative banking channels. Looking forward, the findings point to three issues that deserve further attention.

The first relates to the design of products. The move from bricks and mortar to branchless banking changes not only how financial services are delivered and who delivers them but also the design of the products themselves. Today, traditional banking and microfinance have been about functional products that are designed for either a specific purpose, such as educational loans, or a certain target population, like smallholders. In this new world of branchless banking where frequency of transaction is pivotal and access can be 24/7, low income users have delivery options for managing some of their multiple financial needs. These new financial tools are flexible, offering convenience, affordability, access, and security which can reduce vulnerability and increase proactive money management. However, building consumer confidence and trust in them will take time. In addition, we need to understand more precisely people's transactional behaviors vis-à-vis branchless banking. Financial diaries in Kenya and Malawi indicated that the volume of gifts and transfers within social networks far exceeded other categories of transactions. This finding is significant for two reasons. First, these transactions, numerous but small, are too expensive for bricks and mortar banking but are well suited to branchless banking and offer a valuable new market, assuming appropriate pricing. Second, the social networks that underlie these transactions would be an invaluable peer to peer communication channel to facilitate uptake and usage.

**Box 2: Enabling ProActive Financial Management**

Within a mobile wallet, sub-wallets present new opportunities to plan ahead, resist temptation and build financial assets. When money comes in it could be allocated to different sub-wallets such as current consumption, predictable forthcoming expenses and investments including savings and housing.

Despite the advantages of branchless banking noted above, low income populations are challenged to save in a lifestyle which they describe as 'one long shock'; how can they move from *ex post* to *ex ante* money management practices, putting funds aside when the money comes in rather than storing only what is left over at the end of the month after all needs have been met? Box 2 offers one example of how electronic banking can encourage *ex ante* decisions.

Our third issue brings us back to the client. The value of any new product or service must make sense to the users. Poor people are good managers of money within the four walls of their world. Something new will be most readily adopted if it does not increase their vulnerability and improves something that they already do or if it enables them to achieve an aspirational goal. The key to M-PESA's success was facilitating the widespread practice of 'sending money home'. Consumer education will be most effective if it builds on consumers' perspectives.

# CONCLUSION

Three or four years ago, few talked about the clients, the consumers of financial services.

Since then, greater attention has been given to understanding poor people's financial behavior, but financial service providers remain challenged to translate these findings into actions. The client centric approach presented here is gaining traction.

Maybe the starting place is to take a page from Richard Ettenson, Eduardo Conrado, and Jonathan Knowles, who wrote recently in the [Harvard Business Review](#) about "Rethinking the 4 Ps" of marketing. The classic four Ps are product, place, price, and promotion. Although the *HBR* authors were intent on redefining them to suit the business-to-business market, the framework they propose might serve microfinance as well because it seeks to build financial capabilities by 'putting clients at the center':

- Instead of product, we should focus on solutions that address the problems and meet the needs of poor people;
- Instead of place, we should focus on access and facilitating the customer's entire purchase journey;
- Instead of price, we should focus on value, in particular the benefits relative to price, viewed from the context in which poor people live; and
- Instead of promotion, we should focus on education, providing information relevant to a customer's needs at each point in the purchase cycle.

Branchless banking can work for the poor, but low levels of usage in many deployments are a concern. Consumer education has a role to play, ensuring that the client develops trust and confidence in the use of new financial technologies. 'Leapfrogging' into digital financial services is risky for the uninformed and requires more than a one-off exposure to the mechanics of transacting. The findings of the CEBB indicate that building trust and confidence is a learned behavior that takes time and that, if systematically addressed, can be achieved. Incorporating trust and confidence into the financial capabilities agenda and embedding this focus into the operations of a telco or financial service provider are significant takeaways from the CEBB. Emphasizing trust and confidence are also part of the consumer-centric trend currently shaping the financial inclusion discourse. Providers need to look at their actions and products from the perspective of the user and how s/he manages money in general and risk in particular. Putting clients first also means building on these behaviors rather than displacing them.

## ACKNOWLEDGEMENTS

The idea for this project was broached in 2006 as branchless banking began to take hold. I would like to extend my appreciation to the Omidyar Network who supported the first study which generated the preliminary insights into the user perspective on branchless banking. I am grateful to The MasterCard Foundation for supporting the follow-on experiment entitled Consumer Education for Branchless Banking (CEBB), which was implemented by staff at Microfinance Opportunities under my direction, and the writing of this paper. I would like to note that we made a commitment at the Clinton Global Initiative in 2009 around the CEBB well before we had the funding. We have now fulfilled our Commitment.

Maria Jaramillo and Julie Lee at Microfinance Opportunities designed and implemented the strategies for the CEBB project, and I would like to thank them for their very constructive reviews of early drafts of this paper. I would also like to thank the interns who did the invisible but important tasks of copy editing and providing research assistance. Guy Stuart also read and provided feedback on many drafts of this paper.

The Steering Committee of the Global Financial Education Program has continued to provide unending support along our 10 year journey working together on financial education. My thanks go to Jennefer Sebstad who provided invaluable inputs on an early draft and Candace Nelson who served as the superb editor of this document and also challenged me thoughtfully on many issues.

Monique Cohen  
Founder and Past President  
Microfinance Opportunities



## Additional Resources

### Field Insight Series: The Role of Consumer Education in Adoption

1. *Uncovering Barriers to Branchless Banking A Synthesis of Consumer Capability Research in India, Malawi, Philippines, and Zambia*
2. *From Insights to Action: Building Client Trust and Confidence in Branchless Banking*
3. *Mobile Banking in the Philippines*
4. *Smart Cards in India*
5. *Microfinance and E-Payments in Zambia*
6. *Embedded Education Lessons Learned from Three Branchless Banking Projects*

### Videos: Consumer Education for Branchless Banking Series

*The Power of Agents: Smart Cards in India*

*Changing the Way We Look at Success: Mobile Banking in the Philippines*

*The Customer Focused Approach: Microfinance and E-Payments in Zambia*

*Why Consumer Education Matters for Branchless Banking*

*How Embedding Consumer Education is Easier to Implement than You Think*

### Outcomes Assessment Report Series

*RBAP-MABS, Philippines*

*FINO PayTech, India*

*Zoona and VisionFund, Zambia*

### Consumer Education for Branchless Banking (CEBB) Online Course

<http://microfinanceopportunities.org/?p=2159>

# REFERENCES

Ananth, Bindu, Greg Chen and Stephen Rasmussen. (2012,). "The Pursuit of Complete Financial Inclusion: The KGFS Model in India." CGAP: Washington DC.

BFA.(2013). "Unlocking the Potential: Women and Mobile Financial Services in Emerging Markets." GSMA.

Cohen, Monique. (2013). "Broadening the Financial Literacy Agenda".Enterprise, Development and Microfinance, Vol.24, No 3.

Cohen, Monique, Danielle Hopkins and Julie Lee. (2008,). "Financial Education: A Bridge between Branchless Banking and Low-Income Clients." Microfinance Opportunities: Washington DC.

Collins, Daryl, JohnathanMorduch, Stuart Rutherford and Orlanda Ruthven. (2009). *Portfolios of the Poor: how the world's poor live on two dollars a day*. Princeton: Princeton University Press.

Deb, Anamitra and Mike Kubzansky. (2012, March). "Bridging the Gap: The Business Case for Financial Capability." Citi Foundation.  
[http://www.citifoundation.com/citi/foundation/pdf/bridging\\_the\\_gap.pdf](http://www.citifoundation.com/citi/foundation/pdf/bridging_the_gap.pdf).

Dunford, Chris. (2012, December). "Dunford's Presentation to the USAID Evidence Summit." Microlinks. <http://microlinks.kdid.org/learning-marketplace/blogs/dunford%E2%80%99s-presentation-usaid-evidence-summit-%E2%80%93-day-one>.

GSMA. (2012).. <http://www.gsma.com/mobilefordevelopment/the-gsma-publishes-mmu-2012-annual-report>

Gray, Bobbi, JenneferSebstad, Monique Cohen, and Kathleen Stack. (2009). "Can Financial Education Change Behavior? Lessons from Bolivia and Sri Lanka." Working Paper No. 4 Microfinance Opportunties.

Gusto, Anatoly. (2012). "MABS nag-CellBank! SMS Interview Key Findings." Draft Report.

Jaramillo, Maria (2012). SEEP Workshop Presentation. Washington, D.C.

Jaramillo, Maria and Julie Lee. (2011). "Challenges to Use of Branchless Banking and How Consumer Education Tools Can Address Them." Microfinance Opportunities Webinar. Washington, D.C. November 29, 2011.

Johnson, Susan. (2012, March). "The Search for Inclusion in Kenya's Financial Landscape: The Rift Revealed." FSD Kenya.

Ledgerwood, Joanna. (2013). The New Microfinance Handbook. The World bank.

Lee, Julie and Maria Jaramillo. (2013). "Driving Adoption of Branchless Banking: Insights from Consumer Education in India, the Philippines, and Zambia." *Enterprise Development and Microfinance Journal*. Vol. 24. No. 3. September 2013.

McCarthy, M. Yasmina. (2011). "Marketing Mobile Money: Top 3 Challenges." Mobile Money for the Unbanked. GSMA.

McKay, Claudia and Mark Pickens. (2010,). "Branchless Banking 2010: Who's Served? At What Price? What's Next?." CGAP: Washington DC.

MICRA. (2010). "Market Research Study on Consumer Understanding of Branchless Banking." Commissioned by Microfinance Opportunities.

PQR. (2010). "Exploring Consumer Understanding and Attitude to Finance – Semi Urban and Rural Perspective." FINO FinTech Foundation.

Radcliffe, Daniel and Rodger Voorhies.(2012). "A Digital Pathway to Financial Inclusion." Bill & Melinda Gates Foundation.

Sebstad, Jennefer and Monique Cohen.(2003, April). "Microfinance, Risk Management and Poverty".CGAP :Washington DC.

Stuart, Guy, Michael Ferguson and Monique Cohen. (2011). "Cash In, Cash Out: Financial Transactions and Access to Finance in Malawi." Financial Services Assessment Project. Microfinance Opportunities:Washington DC..

Stuart, Guy and Monique Cohen. (2011). "Cash In, Cash Out Kenya: The Role of M-PESA in the Lives of Low-Income People." Financial Services Assessment Project. Microfinance Opportunities:Washington DC.

VISA 2012: <http://pressreleases.visa.com/phoenix.zhtml?c=215693&p=irol-newsarticlePR&ID=1748481&highlight>