



Field Insights No. 1

Uncovering Barriers to Branchless Banking

A Synthesis of Consumer Capability Research in India, Malawi, Philippines, and Zambia



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ACRONYMS

AKSS	Attitude, knowledge, skills and self-efficacy	OB	Opportunity Bank of Malawi
BMK	Banki Mkhonde	PIN	Personal identification number
BMM	Banki M'manja	POS	Point of service
FGD	Focus group discussion	RBAP	Rural Bankers Association of the Philippines
FINO	Financial Information Network and Operations Ltd.	SMS	Short message service
FSP	Financial service provider	TELCO	Telecommunications company
GSMA	Groupe Speciale Mobile Association		
IDI	In-depth individual interview		
KG	Kulima Gold (agro-dealer shop)		
MABS	Microenterprise Access to Banking Services		
MFO	Microfinance Opportunities		
MTZL	Mobile Transactions Zambia Limited		

EXECUTIVE SUMMARY

This synthesis report summarizes the findings from market research studies that Microfinance Opportunities (MFO) carried out with customers of four branchless banking projects: FINO PayTech in India, the Rural Bankers Association of the Philippines (RBAP) and Microenterprise Access to Banking Services, Philippines (MABS), VisionFund and Zoono in Zambia, and Opportunity Bank Malawi. The research findings were used to design the content and to identify the optimal delivery channels for partner-level consumer education campaigns.

The studies assessed target consumers' existing attitudes, knowledge, skills, self-efficacy, and behaviors with respect to managing their money and carrying out financial transactions through a branchless banking channel. The research asked:

- What knowledge, skills, and attitudes do potential consumers need in order to make informed decisions about adopting and effectively carrying out financial transactions using branchless banking services and technologies?
- How can consumer education, combined with branchless banking, help low-income consumers improve their money management and facilitate their active use of financial services?

We used qualitative research methods to reveal how and why consumers behave as they do. Specifically, we employed focus group discussions (FGDs) and in-depth individual interviews (IDIs) to identify the challenges that consumers experience when using branchless banking services and to explore how these services can support better money management in order to improve the well-being of low-income families. The FGD sample included both active and non-active branchless banking consumers. The IDI sample included: "outlier" consumers of branchless banking services, key informants at partner organizations, financial service providers, and active and non-active branchless banking agents.

The research was informed by a theoretical framework that combined the concept of financial capability with the conceptual model of the diffusion of innovations, though the former evolved as a result of our research. The Diffusion of Innovations theory posits that individuals move through a multi-staged decision-making process before accepting a new technology (Rogers, 2003). For the purposes of this paper, we distilled Roger's process into four key phases that we believe apply to branchless banking: *awareness; evaluation; trial; and regular use*. The market research results led to the evolution of MFO's definition of financial capability: *Financial capability is the combination of attitude, knowledge, skills, and self-efficacy needed to make and exercise money management decisions that best fit the circumstances of one's life, within an enabling environment that includes but is not limited to, access to appropriate financial services.*

The research found that branchless banking consumers face challenges at every stage of the innovation adoption process when considering using these services. Those challenges are on both the demand side and the supply side of the equation, with low-income consumers lacking the capabilities to use branchless banking services effectively and service providers failing to both build systems and products that are reliable and offer a good customer experience. This, in turn, further challenged the capabilities of consumers.

Under the first, category of challenges, the financial capabilities of consumers, the research identified the following:

- Customer lack of awareness and misconceptions
 - Consumers were unaware of the branchless banking service and sometimes the underlying financial product.
 - They did not understand the value proposition of the branchless banking service for them.
 - They used the services inefficiently which led to dissatisfaction.
 - All these can result in preventing consumers from taking up branchless banking services
- Use of the technology
 - Consumers did not understand how to use the technology to conduct branchless banking transactions, often due to insufficient training.
 - As a result, consumers were reluctant to use the service regularly.
- Trust in the technology
 - Consumers had poor understanding of the security features of the technologies and the branchless banking services, which kept their money safe.

Under the second category of challenges, those associated with the supply side, the research identified the following:

- Challenges with the delivery channel, specifically with agent availability and proximity.
 - Agents were often not available.
 - Customers did not always trust agents.
- The divide between customer expectations and BB operations.
 - Agents did not always have sufficient liquidity to meet cash withdrawal requests.
- The lack of clarity for the customers as to how to troubleshoot problems they encountered in conducting transactions or accessing information. For example, when there was:
 - A network outage in the middle of a transaction
 - A charge for an uncompleted transaction
- The lack of capabilities of front-line staff and agents in terms of communicating about and delivering the service to customers.

Its systematic approach to the market research allowed MFO to identify the types of consumer education that should be focused at each of the specific stages of the consumers' experience with the branchless banking service. Identification of the gaps in knowledge, skills, attitudes, perceptions, and expectations was critical to designing a consumer education program that could change consumer behavior. The elements of financial capability – attitude, knowledge, skills, and self-efficacy – can be present in different combinations and given different priority throughout the stages of the adoption process:

- At the awareness stage, when consumers are first exposed to or become familiar with a new branchless banking service, telcos and FSPs can promote a well-informed attitude on the part of consumers by addressing their potential misconceptions of the technology and service or the relevance of the service to their lives. Consumer education can also strive to address fears

consumers may have about their ability to use the service correctly, e.g. that they can perform transactions with relative ease. Skills development is not a priority in this stage.

- In the evaluation stage, when the consumer begins to understand the advantages and disadvantages of the innovation and its value for them, consumer education should equip consumers with the knowledge and skills to understand and effectively use the technology including the security and proof of transaction features. Consumer education should continue to promote well-informed attitude towards the value of the branchless banking service.
- At the trial stage, when consumers try out the service to assess its usefulness and value, consumer education must continue to focus on the knowledge and skills of how to use the service and of how to effectively manage troubleshooting issues, but must also help build consumer self-efficacy, that is, the confidence to use the service effectively.
- At the regular use stage, the research suggests that consumer education programs should continue to build consumers' self-efficacy in using the branchless banking service and continue to expand knowledge of how the service can be used to access other financial products to reinforce regular use and expand use to other services.

Additionally, MFO found that particular care should be taken with training for the front-line staff responsible for delivering branchless banking to the consumer. The research highlighted the importance of consistent, standardized, and hands-on training in the use of the branchless banking technology for agents and staff who work with consumers. It is also important to provide these workers with reference materials that they can take with them in order to reinforce the information given in the trainings.

The research highlighted the importance of conducting market research on consumer and front-line branchless banking staff capabilities. MFO has developed market research tools and a module to guide practitioners wishing to design and implement a branchless banking program. The market research module first shows the practitioner how to identify the value of investing in the market research study for their consumer education program. It then guides the practitioner to customize the market research tools so that they can identify the key determinants of the customers' behavior with respect to branchless banking. Then it shows the practitioner how to plan and implement the research. These materials are part of the MFO Consumer Education for Branchless Banking on-line course and toolkit available at: www.microfinanceopportunities.org. More details on the consumer education for branchless banking project generally can be found in forthcoming country case studies and on the MFO website.

INTRODUCTION

The growing number of mobile money deployments around the world presents a critical opportunity to expand financial inclusion, helping to bring unbanked people into formal financial services for the first time.

By mid-2013, there were approximately 200 live mobile money services around the world. However, only fifteen of these deployments had reached scale, defined by GSMA as having 1 million active customers (GSMA, 2013). Usage rates also tend to be low. GSMA estimates that there are 81.8 million registered mobile money customers globally, out of which only 30 million, or 37 percent of total registered accounts, are active (Pénicaud, 2013). Attention has shifted in the industry from signing up accounts to acquiring active customers and identifying the best ways to do so. The World Bank's Consultative Group for the Poor (CGAP) defines branchless banking as the delivery of financial services outside conventional bank branches, using agents and relying on information and communications technologies, such as card-reading, point-of-sale (POS) terminals, or mobile phones, to transmit transaction details (CGAP, 2010). Microfinance Opportunities (MFO) hypothesized that one crucial element for branchless banking deployment that might not be given sufficient attention is the customer's experience with the branchless banking service. The goal of this paper is to present key findings identified through four market research studies carried out to identify challenges that consumers face in adopting branchless banking. For the purposes of this paper, we define adoption as when customers transact regularly with the branchless banking service.

PROJECT BACKGROUND

In 2010 Microfinance Opportunities (MFO), in partnership with The MasterCard Foundation, worked with branchless banking service providers in India, Zambia, Malawi, and the Philippines to research, design, implement, and evaluate how consumer education initiatives could support increased adoption and sustained use of branchless banking services. The Consumer Education for Branchless Banking (CEBB) project is a pioneering effort to increase the uptake and use of branchless banking by preparing low-income people to become better consumers of these services. An important objective of this project is to identify how consumer education combined with branchless banking services can help low-income people improve their money management as well as their financial well-being. The project develops partner-level consumer education strategies and tools for consumers and those who are in a position to train them. Through these interventions, the partner programs develop the financial capabilities required to support new and improved financial management behaviors including but not limited to the use of branchless banking.

PROJECT PARTNERS

MFO selected partners in four countries (India, Malawi, the Philippines, and Zambia,) that were providing financial services using branchless banking technologies such as mobile phones and smart cards (see Table 1).

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

Financial Information Network and Operations Ltd. (FINO PayTech, henceforth referred to as FINO) is an integrated business and financial service technology firm that works on behalf of local banks to provide customers with an alternative banking platform to access formal financial products and services. Using their FINO biometric smart cards, customers can deposit, withdraw, and check balances of their savings accounts through FINO's country-wide network of bank correspondent agents, referred to as "bandhus." Bandhus facilitate the financial transactions at customers' doorsteps or nearby using handheld POS devices.

Opportunity Bank of Malawi (OBM), Malawi

Opportunity Bank of Malawi (OBM) is a commercial microfinance bank that offers loans, savings, insurance, and payment services, as well as foreign exchange products. OBM has implemented two branchless banking services as part of its technology-based model to increase outreach in rural areas: mobile phone and smart card services.

The first service, Banki Mkhonde (BMK) - "bank on your veranda"- enables OBM customers to use their biometric smart cards to conduct financial transactions including balance inquiry, cash withdrawals, and commodity purchases at retail stores. In order to offer this service, OBM partnered with Kulima Gold (KG), a retail chain that provides agricultural supplies, to set-up POS devices throughout its nationwide network of shops.

The second branchless banking service, Banki M'manja (BMM), offers mobile phone banking services that allow OBM customers to access their accounts. The mobile services currently available include balance inquiry, utility bill payment, fund transfers between OBM accounts, and airtime purchase.

The Rural Bankers Association of The Philippines (RBAP) - Microenterprise Access to Banking Services, Philippines (MABS)¹

The USAID/Philippines-supported Microenterprise Access to Banking Services (MABS) project in collaboration with its partner the Rural Bankers Association of the Philippines (RBAP) (hereafter RBAP-MABS) spearheaded mobile banking initiatives in the Philippines by providing technical assistance and training to rural banks.

The mobile phone banking service offered by the rural banks, enabled clients to carry out banking transactions through their mobile phones by leveraging the mobile wallet service, GCASH, which was

¹ <http://www.chemonics.com/OurWork/OurProjects/Pages/Microenterprise-Access-to-Banking-Services-IV.aspx> and www.rbap.org

offered by Globe Telecom.² A mobile wallet is an electronic account held on a mobile phone that can be used to store and transfer value.³

The services available at the time of the research included: sending savings or withdrawing funds from a bank account, sending loan payments to the bank, and receiving salary payments. The rural banks recruit, train, and set-up merchants as cash-in/cash-out points, engaging them to promote and offer mobile banking services to customers.

Zoona, Zambia

Zoona (formerly Mobile Transactions Zambia Limited or MTZL) provides real-time payments to corporate suppliers with cash distribution channels. Through its network of agents, customers use their mobile phones as a communications interface with the payments platform, receiving information via SMS that facilitate the transactions at the agent shop. During the market research study, clients of the microfinance institution VisionFund (formerly Harmos) used the Zoona payments platform to collect loan disbursements and make loan repayments at specially designated Zoona agents. See Table 1 for a summary of the technology used by each of the partners in this program

Table 1: Project Partners and Branchless Banking Services

Partner	Technology	Financial Product
FINO, India	Electronic account linked to biometric smart card + POS device operated by business correspondents (“bandhus”)	Savings account
OBM, Malawi	1. Biometric smart card linked to OBM account; 2. Use of mobile phone to transact with OBM account	Savings and loan accounts; Electronic payments (utility bills, retail purchases)
RBAP-MABS, Philippines	Electronic money service utilized by banks to facilitate banking transactions	Savings account and microcredit loans from rural banks facilitated via a mobile wallet (GCASH)
Zoona, Zambia	Electronic funds transfer via agents	Microcredit loan and mobile wallet

² The mobile phone was used to transact with the bank using SIM Toolkit e-money technology.

³ <http://www.pfip.org/definitions/>

THEORETICAL FRAMEWORK

The theoretical framework underlying the market research studies was influenced by previous research conducted by Microfinance Opportunities.

In 2008, with support from the Omidyar Foundation, MFO carried out an in-depth qualitative study in Kenya, the Philippines, and the Dominican Republic to identify how customers were experiencing branchless banking services and what constraints were limiting their adoption of these services in the three countries. Key challenges that users with low usage faced in accessing and using services were both limited trust in the branchless banking technology and limited understanding of how the technology worked. Customers lacked familiarity with the features that made the service safe and feared having technical difficulties while transacting (Cohen et al., 2008). The study also highlighted the importance of understanding customer needs and of tailoring information, education, and marketing to these needs.

Based on this, MFO fused the theory of change for financial education with that for the diffusion of innovations and new technologies. The theory of change for financial education describes the relationship between consumer education interventions, financial capability, and the financial well-being of participants and microfinance institutions.

Microfinance Opportunities defines financial capability as:⁴

FINANCIAL CAPABILITY
...is the combination
of **ATTITUDE, KNOWLEDGE,**
SKILLS, and **SELF-EFFICACY**
needed to **MAKE** and **EXERCISE**
money management decisions
that **BEST FIT**
the circumstance of **ONE'S LIFE,**
within an **ENABLING**
ENVIRONMENT that includes,
but is not limited to, **ACCESS** to
APPROPRIATE financial services.



⁴ Guy Stuart, Maria Jaramillo, Julie Lee and Robyn Robertson. Financial Capability: A Definition. Microfinance Opportunities. Blog.

This revised definition is informed by the market research presented here. This new conception of financial capabilities moves beyond the traditional focus on knowledge and skills. While the acquisition and development of these play an important role in building the capacity of a person to act, they fall short in explaining the strength of intention or motivation necessary to act, and the potential barriers to taking action.

There is a renewed emphasis on attitude and a new recognition of the importance of self-efficacy. Both of these are key psycho-social concepts that refer to a person's positive or negative evaluation of the value of managing money proactively (attitude) and to their belief or confidence in their ability to actually do so (self-efficacy). A key aspect of the new concept of financial capability is that it also addresses the circumstances in which a person lives, recognizing that each individual faces very different money management challenges based on their society, economy, or even life stage. As a result, two people who are equally financially capable may exercise that capability in differing ways. Further, each individual lives within an enabling environment that limits or determines the opportunities for individual action. Each person's intention or motivation to act is influenced by how they think others expect them to act, their past experience of social pressure to act in a particular way, and their assessment of the external barriers to active money management.

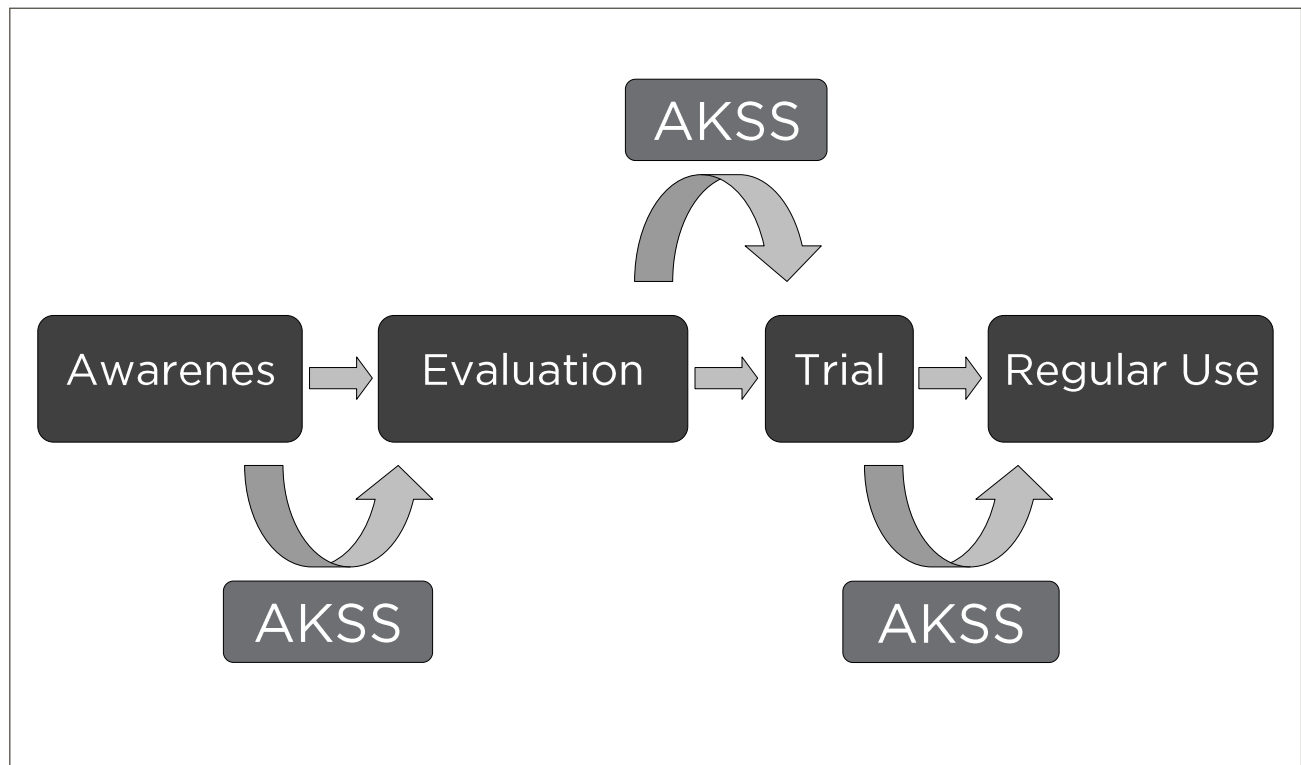
Financial education, by providing the requisite knowledge and skills and by promoting improved attitudes and self-efficacy, is believed to build financial capabilities, change financial behavior, and lead to improved financial well-being for poor families.

Everett Rogers' Diffusion of Innovations theory (Rogers, 2003) describes the decision-making process involved in the spread of an innovation. Individuals move through several stages before accepting a new technology. MFO frames the adoption of branchless banking through a similar decision-making process, based on Rogers' theory. We distilled Rogers' process into four key phases that we believe apply to branchless banking (see Figure 2):

- *awareness*, when the customer becomes familiar with the service and what it can do;
- *evaluation*, when the customer understands the potential advantages and disadvantages of the service and decides whether to try the service or not;
- *trial*, when the customer tries the service to determine its usefulness; and
- *regular use*, when the customer realizes the benefits of the service and uses it on a regular basis

The market research, in addition to assessing consumers' knowledge, skills, and attitudes around financial management and use of branchless banking technologies, sought to identify how consumer education could support consumer decision-making at each stage of the technology adoption process.

Figure 1: Adoption process for branchless banking service



Note: AKSS = attitudes, knowledge, skills and self-efficacy

METHODOLOGY

The consumer insights presented in this paper were gathered through field research carried out with each of the four program partners.

The research was designed to answer two key questions: What knowledge, skills, and attitudes do potential consumers need to be able to make informed decisions on adopting and effectively carrying out financial transactions using branchless banking services and technologies?; and How could consumer education combined with branchless banking help low-income consumers improve their money management and facilitate their active use of financial services? The studies were implemented in the Philippines from October to December of 2010 (MFO, 2010a), in India from September to December 2010 (MFO, 2010b), in Zambia from January to May 2011 (MFO, 2011a) and in Malawi from August to September 2011 (MFO, 2011b). The findings, which are reported here, were used to design the content and to identify the optimal delivery channels for partner-level consumer education campaigns.

APPROACH

MFO worked with project partners to design and implement consumer market research. MFO was responsible for developing the research approach, designing the research tools, and managing the local researchers who were selected on a competitive basis in coordination with the project partners. The project partners provided guidance on selection of research locations and sample segmentation. Local research firms were contracted in each country to conduct the primary field research and to analyze and report the data collected.

To ensure consistency and quality across countries, the research tools were developed by MFO then translated and back translated and pilot tested by local research firms. The research tools were modified as necessary. Interviews and focus group discussions were voice recorded and in some cases video recorded. All subjects participating in the research were read a consent form and informed of their rights as research subjects.

TOOLS

The market research was conducted using qualitative research techniques including focus group discussions (FGDs), in-depth individual interviews (IDIs), and in some cases, observations. Data on the socio-economic and demographic characteristics of consumers were collected using a short questionnaire (SEP form). The SEP was administered to all FGD and IDI participants individually.

Focus group discussions were carried out with active and non-active users of branchless banking services. The definitions of “active” and “non-active” varied by partner (see Annex for country specific definitions). Each FGD was intended to include 8 to 10 people. Due to difficulties in recruiting active users in some locations, the actual attendance at FGDs varied from 4 to 5 participants in Malawi to 7 to 10 in India and the Philippines. It was particularly difficult to recruit sufficient numbers of active users in rural areas of Africa due to low numbers of customers and distances between them.

In all countries, except for the Philippines, separate FGDs were held for men and women to ensure that women had the opportunity to participate actively in the discussions. In the Philippines, the concern was having enough men attend the FGDs. As a result, the local research firm conducted mixed FGDs with a minimum of four men participating in each. For the most part, equal numbers of FGDs were held with men and women, when they were done separately. The FGDs took from 90 to 120 minutes to complete.

The FGD guides were customized for each partner, taking into consideration the specific features of each program and branchless banking service. In general, the FGDs explored the following topics:

- Customer uptake and usage of branchless banking services;
- Product features of the branchless banking service that customers considered important and how these features benefit customers compared to the way customers did financial transactions in the past;
- Money management such as saving and debt management; and
- The range of delivery methods for branchless banking information and their effectiveness, focusing on how people like to learn.

Semi-structured interview tools were used to guide the individual interviews with outlier consumers and industry key informants.

RESEARCH LOCATIONS

The research locations were selected based on consultations with the program partners. In each country, two separate geographic locations were chosen in order to capture as much variation in the branchless banking services and consumers as possible given resource and time constraints. In each geographic area, one rural and one urban or peri-urban location were selected. The specific study locations in each country are shown in Table 2 below. Further details are provided in Annex 1.

Table 2: Research Locations by Country

Country	Location	
	Urban	Rural
India	Agra District (Shamshabad) Saharanpur District (Chutmalpur)	Agra District (Bijhamai, Barauli Gujar) Saharanpur District (NanautaDehat, Khudabakshpur)
Malawi	Lilongwe urban (Lilongwe, Malangalanga) Blantyre (Ndirande, Lime)	Lilongwe rural (Mitundu, Nsundwe) Mulanje District (Chitakale, Limbuli)
Philippines	Luzon Island (San Pascual, Batangas) Mindanao Island (Butuan City, Cagayan de Oro)	Luzon Island (Santa Ana, Cagayan Province) Mindanao Island (Cantilan, Surigao del Sur)
Zambia	Lusaka Kitwe and Ndola	

SAMPLING STRATEGY

In each country, the study examined the experience of active, non-active, and outlier consumers of branchless banking services. Research with consumers was triangulated with research with individuals who interact directly with branchless banking consumers and those who provide the branchless banking service. These individuals included branchless banking agents, intermediaries such as merchants, and staff of financial services and branchless banking providers. Agents and merchants were identified as a potential delivery channel for consumer education. These are referred to as “supply side samples” and represent actors within the branchless banking value chain.

Sample Description: Consumers

Research participants were individuals who had signed up or registered for a branchless banking service at one of the partner programs. Active, non-active, and outlier consumers were defined differently in each country depending on the type of branchless banking service and the level of activity for the service. Outlier consumers are those who demonstrate ideal or exemplary branchless banking and financial management behaviors. Consumers were segmented by the type of branchless banking they used, by location (rural, urban, and peri-urban), by gender, and by age (India only). Active and non-active consumers participated in separate FGDs, while outlier consumers were interviewed individually. The numbers of branchless banking consumers participating in the research in each country are indicated in Table 3 below. The definitions of each sample segment, by country and partner program, are shown in Table A-1 in the Annexes. Further details on the composition of the sample segments and the numbers of consumers interviewed are provided in Annex 2.

Table 3: Number of consumer FGDs and individual interviews by sample segment and by country

	Active users	Non-active users	Total FGDs	Outliers
FINO – India	8	8	16	5
RBAP-MABS – Philippines	10	8	18	
OBM – Malawi	10	10	20	8
Zoona – Zambia⁵	12	--	12	4
Total	40	26	66	17

Sample Description: Supply Side

Key informants who were active on the supply-side of branchless banking, specifically individuals who interacted directly with branchless banking consumers or who provided financial or branchless banking services, were interviewed individually. These individuals included branchless banking agents such as FINO bandhus, retail or merchant agents of GCASH or Zoona, microfinance loan officers at VisionFund, and staff of banks or branchless banking organizations such as the rural banks and OBM. Frontline staff or agents were sampled in the same locations as the consumer samples and were segmented into Active and Non-active categories.

⁵ FGDs with active users included FGDs with VisionFund loan clients (4) and with Zoona remittance clients (4). There were no FGDs with inactive users in Zambia because loan disbursement through Zoona was in its infancy and there had not been enough time elapsed for there to be users who became inactive.

The final sample size and distribution by user type and survey area for individuals active on the supply-side are summarized in Table 4. The definitions of each sample segment are provided in Table A-2 in the Annexes.

Table 4: Number of key informant interviews by sample segment and by country

	Agent*		Bank staff	Total supply-side interviews
	Active	Non Active		
FINO - India	4	4	--	8
RBAP-MABS-Philippines	7	3	--	10
OBM - Malawi ⁶	6	2	8	16
Zoona - Zambia ⁷	8		4	12
Total	25	9	12	46

*See footnote below

FINDINGS

FINANCIAL CAPABILITIES TO EFFECTIVELY USE BRANCHLESS BANKING SERVICES

Across the countries included in the research, MFO found that consumers faced numerous challenges to adopting the new branchless banking technologies. This section describes adoption challenges related to consumer misconceptions, lack of trust, and lack of capabilities to effectively use the technology.

Customer lack of awareness and misconceptions

Customers are often unaware of or have misconceptions about the technology that they are being asked to use and the financial services linked to that technology. Some of these can slow or prevent the uptake of the service while others create unmet expectations or dissatisfaction when using the service. Either way, customer lack of awareness and misconceptions are a challenge for providers of branchless banking because if they are left unaddressed, they can affect the attitudes of consumers in a way that prevents the widespread adoption of the innovation. When consumers cannot imagine the value of using a service, they develop negative attitudes toward the service and are unlikely to try it out.

⁶ OBM Outliers defined as customers who are using both services: Banki Mkhonde and Banki M'manja.

⁷ Active users included 8 FGDs with VisionFund loan clients and 4 FGDs with Zoona clients

*"No, we don't use BMK because we think that the service is for people in the rural areas."
(FGD participant, Malawi)*

Despite a high level of mobile phone ownership and use of mobile wallets, many rural bank customers in the Philippines who were not using the mobile banking service were not aware of the service or its benefits. Non-active rural bank customers told us:

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

"I have no idea [about mobile banking]. We are not familiar with the service."

Even those who had heard something about mobile phone banking were relatively uninformed:

"You can save money through texting, but I don't know how."

Several rural bank customers who were familiar with the mobile banking services on offer had only incomplete information. Some believed that the GCASH service is only for payments when in fact the GCASH platform can also be used to carry out banking transactions. Part of the problem is customer orientation, which is discussed in more detail below.

Customer lack of awareness and misconceptions were a challenge in the other countries as well, even among consumers who had signed up for the service.

"Basically, we do not know very well about the [Banki Mkhonde] service,"⁸ (FGD participant, Malawi).

These consumers were continuing to access their bank accounts through OBM branches and main outlets even when Kulima Gold outlets were open and nearby.

Other misunderstandings were around the nature and range of services on offer. For example, in India, a few consumers were confused about whether the FINO smart card was a saving tool or an ATM card (it is a saving tool). Furthermore, some FINO clients did not know what they signed up for when they registered for the card. FINO staff reported that some consumers thought they had received an ID card. Lack of awareness results in a lack of use as this participant pointed out:

"As we don't have proper knowledge about the card, we are not using it constantly." (FGD participant, India).

⁸ Male focus group discussion Non-active Msundwe, 03 Aug 2011

In Zambia, some clients were continuing to send remittances via other companies even though Zoona offered this service. This was due to the fact that the microfinance clients were only introduced to the loan disbursement service and were not aware of other products offered by Zoona.

In Malawi, OBM staff reported that many account-holders were not using the BMK service [smart card] due to limited knowledge and understanding of the services on offer and of how to access and use them. A non-active user of BMK reported that:

"What we know is that when you pay MK300 (\$1.82) at Kulima Gold you will be able to withdraw money, check account balances and buy commodities from KG outlets,"

This was a misconception because checking balances was free. Other consumers in Malawi who were using the BMK services had expectations that KG should behave like a bank and accept deposits as well as provide the account balance checks and cash out services that they do.

"We cannot deposit our money with them. As you know, it is risky to keep money in the house over a night." (Non-active user of BMK, Malawi).

The research also found some consumer misconceptions related to the financial product linked to the branchless banking technology. This was the case in India where customers erroneously thought they were not receiving interest on their savings accounts. Interestingly, most women participants understood that the accounts paid interest, while most of the men participating in the research did not know that the accounts paid interest.

A lack of financial capability can challenge the adoption of branchless banking by reducing the perceived value proposition of the service. In India, limited knowledge of basic banking services reduced the value proposition of the FINO card in the eyes of non-active consumers.

"We do not know the benefits of saving money in the bank--no one has told us," (FGD participant, India).

Misunderstandings about the financial product and the branchless banking channels contribute to consumers underestimating the value proposition of the branchless banking service for themselves, and as a result, they are reluctant to try it out.

In other instances, misconceptions about the nature of the branchless banking service can lead to inefficient use of the service, again reducing the value proposition for consumers. For example, in Malawi, the market research found that BMK customers, unaware that their smartcards could be used to purchase goods directly and at no extra cost, would pay a fee to cash out electronic funds at KG outlets in order to pay for goods at those stores. The customers were incurring an unnecessary expense due to an insufficient understanding of how to use the debit card feature of BMK. This problem is aggravated

by the limited capacities of the merchants who in some cases have forgotten how to perform these functions.

While some misconceptions can slow or even prevent product uptake, others are potentially more harmful because they can lead to dissatisfaction and a discontinuation in the use of the product. For example, in India, many non-active users mentioned they stopped using the FINO services because they could not get their money any time they wanted it. Their expectation that their money would be accessible 24 hours a day (like an ATM) through the bandhus was not realized:

"So I have stopped using it [FINO card] as I am not able to get my own money as I need it,"
(FGD participant, India).

Another source of dissatisfaction was the low interest rate paid on the savings accounts:

"The interest does not show on the statement unless it reaches the amount Rs. 1. Since we deposit small amounts like Rs. 10 etc., the interest hardly gets reflected," (FGD participant, India).

Misconceptions also led to dissatisfaction with the product in Malawi:

"We also hear that Kulima Gold deducts a little sum of money when you use the service. We do not understand why they deduct that fee. We want to see our savings grow, not shrink." (FGD participant, Malawi)

Identifying consumer lack of awareness and misconceptions is important for providers. If left unattended, they can create break points during the awareness and evaluation phases of product adoption. A lack of awareness or understanding of the value proposition of the service and the related financial product will prevent consumers from trying the product or will cause those who do try to drop the product when it does not perform as expected. Consumer education at the awareness stage of adoption needs to directly address consumer misperceptions that can be affecting their attitudes towards the branchless banking service and the financial product.

Use of the technology

Customers had limited understanding of the steps needed to carry out transactions using the branchless banking technologies. Customers had received either very limited training on processes or no training at all, and were learning by trial and error. They expressed a need to have more than just a one-off training. Lack of understanding of the steps needed to transact using branchless banking can also become a break point between the customer and the service, particularly during the trial and regular use phases of the adoption process.

In the Philippines, a lack of understanding of the proper procedures for carrying out transactions was keeping some customers from using the service. In other cases, older customers did not feel confident to transact on their own and relied on merchants or on their children to perform transactions on their behalf.

"My child does the transaction because I'm afraid to try because I might send it to the wrong person," (FGD participant, Philippines).

"The brochure said to put a comma in, [to do the transaction] but these resulted in errors. As a result of continuous trying, my entire load [airtime] was depleted," (FGD participant, Philippines).⁹

This suggests that consumers may need on-going training to reinforce the messages imparted.

If the branchless banking service requires that customers perform transactions on their own, it is important that both customers and the front-line staff, who will likely support them, receive sufficient training to strengthen their understanding of the transaction process. In the Philippines case, the consumers had not received sufficient training which required them to rely on the GCASH agents.

"I have a manual given by BangkoKabayan, but I did not understand it. I just let the merchant do the transactions," (FGD participant, Philippines).

Similarly,

"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 GCASH. So when we went there we just tell them at the store that 'we want to pay our loans,'" (FGD participant, Philippines).

In Malawi, consumers also were not trained sufficiently on how to use the branchless banking technology. Opportunity Bank staff agreed that most clients do not know about the BMK service because it is not adequately explained when a new customer opens an account. This is due to the limited time that staff can devote to each new customer. Non-active users of BMK and BMM mentioned that they did not use the services because they were not informed of the enrollment processes. Some of those who had enrolled could not remember how to use the fingerprint identification system which presented difficulties in using the service.

Interestingly, none of the non-active user FGD participants in Malawi had received training on how to use the mobile banking service (BMM), while participants in four out of six active user FGDs had

⁹ When the study was carried out in 2010, GCASH transactions were initiated via SMS. The customer in this quote is referring to their experience typing in commas into the text instruction to the bank. It is important to mention that reference materials did not instruct customers to insert commas in the transaction steps. Under the system that was used by GCASH in 2010, customers incurred costs for every SMS instruction that was sent. The pricing model used by GCASH has now changed as the system has migrated to an USDD platform.

received some training and some of these had received training materials to take home with them. This suggests the importance of training to promote the use of branchless banking services. In fact, in the Philippines, it was found that the content of the training provided to each market segment, determined which branchless banking services the customers used.

A customer who understands what his or her role is in the transaction process and is capable of performing a branchless banking transaction well is critical to the smooth functioning of the service. In Zambia, customers did not understand and did not follow the process for receiving their loan disbursements from a Zoono agent. Specifically, they were supposed to go to the agent together, as a group, at a specific time on a specific date as stated in an SMS message received from Zoono. Their failure to do so caused problems for the agents and the customers themselves. However, many consumers had received no training on the process for collecting their loan and did not understand the purpose and the information contained in the SMS that they received. They had to learn the disbursement transaction process by trial and error.

Even when consumers know how to use the technology in terms of carrying out transactions, they experience challenges with the technology itself. In the case of FINO, consumers were challenged when the POS machine could not read their fingerprints, which had been worn away from years of manual labor. For others, the POS machine could not read their smartcards which had become damaged. (FINO staff interviews, India). These challenges, like the ones above related to lack of training or information, can be mitigated through consumer education. Consumer education during the evaluation and trial stages needs to focus on the knowledge and skills required to effectively transact the branchless banking technology. Additionally, during the trial stage, consumer education needs to focus on self-efficacy to give consumers confidence and trust in their own capabilities to use the technology effectively.

Trust in the technology

Security features of the technology. The market research data indicated that customers had difficulty trusting a branchless banking service. One important factor was their limited understanding of the security features that the technology used and how these security features kept their money safe.

In Zambia, customers misplaced or forgot their account PINs or the purpose of the PINs they received when transacting at the agent. In Malawi, just next door, customers had a good idea of the role and purpose of PIN numbers:

"It [the mobile money] is secure because of the PIN code that they give us. Someone cannot enquire about our salaries or account balances unless they know our PIN code."

However, some OBM clients are concerned about security in case their mobile phone is stolen because they keep their "secrets" including PIN codes for the bank and other services saved on their phones. Similarly, some non-active users at OBM were concerned for the security of their accounts for the same reason:

"OBM sends a confirmation SMS through the same phone, so when the phone is stolen, we are not sure of the security of our accounts."

In the Philippines, some customers were sharing their PINs with merchants and were also concerned that PINs could be accessed by telco employees. In India, where the technology required a biometric smart card, some customers reportedly feared that their fingerprints would be used for reporting information to the government. These challenges suggest the need for security training that goes beyond the purpose and use of PIN numbers.

Proof of transaction. The market research identified that in all countries, customers were not comfortable with the way in which they received information on the proof of their transactions. This lack of understanding of the way in which the technology confirms that their transactions were successful can impact trust in the service, particularly in the evaluation stage.

In the Philippines, merchants stated that one of the main challenges that prevented customers from signing up to use branchless banking was their unfamiliarity with the technology procedures and the fact that customers preferred 'paper-based' transactions, where they got to hold cash in their hands and got a paper receipt as confirmation of their transaction.

"How safe is our money if we don't get receipts?" (FGD participant, Philippines).

The mobile banking service, in this case, only sent them an SMS confirmation of their transaction. In India too, participants reported that sometimes they were not issued receipts so they had no proof of transaction. In Malawi, a consumer complained that if they used the BMM service to pay a bill or conduct a transaction, "you cannot verify it" since there is no receipt. Another OBM customer opined that the BMK service was better because one receives a receipt which can be used as evidence if something goes wrong with your account.

Misunderstanding of how the new technology can confirm that transactions were completed successfully, impacts the trust in the service. To counteract this challenge, at the evaluation and trial stages, consumer education needs to equip customers with the capabilities required to understand how SMS messages or other means are used to confirm branchless banking transactions. Consumer education can provide the knowledge of how branchless banking transactions are confirmed, the skills to read the SMS messages or other transaction confirmations and build consumer confidence in the reliability of these systems and their ability to use them effectively.

Consumer understanding of the technology and linked financial products, their skills in using them and their trust and confidence in the technology are qualities that can be improved through consumer education because they are under the control of the consumer. Yet there are several aspects to using branchless banking that are not wholly under consumers' control but which impact their experience of the service, and we turn to these next.

Financial Capabilities To Tackle Operational Challenges

Characteristics of the branchless banking system, such as reliability of the technology, can impact perceptions on the ease of use and usefulness of the technology (Venkatesh and Bala, 2008). Through our work on branchless banking, we found that the operational challenges that customers faced when accessing the service were creating barriers to active use. Operational challenges or challenges with delivery channels related to five key areas: agent availability and proximity; consumer trust in the branchless banking service provider; gaps between customer expectations and the service; customers' troubleshooting capacity; and the capabilities of front-line staff and agents to assist customers in the access, known as 'organizational support' in the TAM model (Venkatesh and Bala, 2008). Operational challenges are beyond the control of consumers, yet it is important to analyze these as they can be successfully mitigated if consumers are sufficiently prepared through consumer education.

Challenges with delivery channel: agent availability and proximity

Two types of agent models were offered by our partners: a moving agent model where the agent went to where the customer was and performed transactions; and a fixed agent model where customers travelled to the agent's shop to transact. With each agent model, customers identified challenges that restricted their ability to access and effectively use the branchless banking service. FINO's roving agents made this branchless service even more branchless than the fixed agent model because the moving agents do not have a physical office.

On the other hand, some consumers may trust the bandhu more if he lives in their village. In fact, FINO tries to recruit people with a good reputation from the area in which they work. When the moving agent model is operating optimally, the agents have a fixed schedule and location, providing regular, reliable service each week. However, operational issues can still lead to unreliable access to agents for the customer. Some respondents in India cited the limited availability of the bandhus, making it a challenge to find the moving agents when they needed to transact, a significant concern for low-income populations facing risks on a daily basis.

In the Philippines, where agents are fixed, customers knew where they were and when they were open for business. However, despite the fixed location and hours, customers could still feel some unease about the agent shops' ability to serve them when they needed it. A customer in the Philippines, explained why they withdrew their entire salary once their employer deposited it into their m-wallet

"There are times that there are emergency cases that you need money, and it is difficult to cash out especially if it is in the middle of the night when the shops of the agents are already closed," (FGD participant, Philippines).

Another concern with the fixed agents, voiced by customers in the Philippines, was the limited number and proximity of agent outlets for cash-in and cash-out.

In Zambia, branchless banking customers had similar concerns. One consumer reported that they had wanted to send money to someone in another town, but when they asked where the Zoono office was in that town, they were told that there was none (FGD participant, Zambia). Another customer in Zambia

reported walking all over another town looking for the Zoono agent but could not find him/her. They attributed this to a lack of advertising. Zambian consumers also complained of limited operating hours of the agents. One particularly concerned consumer thought that the agents operating in bus stations should be open 24 hours a day because “travelling people do not stop,” (FGD participant, Zambia).

In Malawi, BMK customers had generally positive views of the availability of the service. They noted that KG is open more days than the bank (in some places 7 days per week) and keeps longer hours than OBM (9 hours per day usually). BMK customers in one location, however, were frustrated that the KG shop had prohibited BMK transactions on Sundays, market day, because of the heavy pressure of business that day.

Unreliable access to one’s money or to the service can create a break point in the adoption process. It is important for consumer education to help customers anticipate and manage challenges related to agent availability to ensure that they do not become dissatisfied and discontinue use of the service. Challenges of trust in the delivery channel: agent and BB service provider.

In order for customers to use a branchless banking service, they first need to trust the agent with their money. While customers in our projects exhibited strong trust in their local financial institutions, the customers were less familiar and more wary of the branchless banking service provider. This was particularly true in communities where stories of financial scams were common.

Customers in the Philippines preferred to call their local bank whenever they had a problem with the m-banking service instead of the telco’s mobile money help line:

“We do not trust other people with regards to our m-banking transactions since it involves financial transactions,” (FGD participant, Philippines).

A contributing factor to customers’ uncertainty about the agent was likely a limited understanding of the relationship between the agent network and the financial institution that contracted it. For some non-active FINO customers, little knowledge about FINO as an institution or its affiliation to a bank limited their trust in the service and use of the card. Customers reported giving only small amounts of money for deposit through their FINO cards, preferring to keep larger sums in banks they knew and trusted.

“What if we deposit Rs. 20,000 and the agent runs away with the money?” (FGD participant, India).

While another said:

“We want to know the background of this company.” (FGD participant, India).

In the Philippines, agents cited consumers’ reluctance to share personal information with non-financial retail partners as a hurdle for uptake of the mobile banking service. In the Philippines, we found that the active involvement of the banks in promoting branchless banking played a key role in driving uptake and continued use of the service.

Additionally, other non-active consumers had fears about the BMM service which prevented them from using it. Specifically, they were concerned that as the BMM service is offered in partnership with mobile phone companies, TNM and Airtel, the staff at these companies would have access to their OBM account details including PIN numbers.

A second factor in building customer trust in an unfamiliar branchless banking entity was the presence of an agent shop. In India, some customers expressed the need for FINO's roving agents to have a fixed physical office. Without a physical office, bandhus are seen as less trustworthy.

"We can't trust an agent alone. There should have at least been an office," (FGD participant, India).

If the bandhus in India had a physical office it might signify to their customers that the agents are part of a legitimate institution as well as serve a practical function: it would provide customers with a fixed location where they could visit if they have problems with the service.

"They question how it is possible to save or withdraw money from you if you will not meet again," (Bandhu FGD participant, India).

However, the existence of a physical location alone is not sufficient. In Zambia, the physical appearance of the agent's retail outlet undermined confidence in the service and produced fears about the safety of consumers' funds and themselves. Consumers cited the lack of sitting space at the Champion agent offices which forced them to sit in the corridors thus exposing them to harassment from thieves. They sarcastically referred to these offices as "Tuntemba" (or street vendor stalls) and said they do not inspire confidence in the services, wondering how anyone would be inspired to deposit money in the Kwacha account product.

"This place is not safe compared to [the VisionFund office] where we were receiving our loans from previously. In fact now a lot of people know when we are going to receive our loans....it is very easy for someone [to be robbed]," (FGD participant, Zambia).

Consumer education can address these challenges by informing customers of the institutions that stand behind the branchless banking agents and by educating customers on procedures for obtaining redress for problems with the service.

Challenges of the divide between customer expectations and the BB operations

In the early stages of the adoption process, customer misunderstandings or misinformation about how the branchless banking service operates can lead to unmet expectations and dissatisfaction or distrust with the service further down the road, resulting in customer drop-out along the trial and regular use phases.

Issues around agent liquidity and maximum limits set on transaction amounts and balances emerged in all countries. In Zambia, a frequently cited challenge was that agents ran out of cash before loan groups

could collect their loan disbursement. In India, FINO bandhus had a maximum limit in the amount of cash they could hold at a given time due to FINO's bonding requirement aimed at mitigating the risk of agents carrying cash. This limit, in turn, could affect the amount a customer could deposit or withdraw at any given time. An FDG participant in India stated:

"He said there is no money so I cannot withdraw now. What was promised was not adhered to."

Similarly in Malawi, the KG outlets were reported to run out of cash resulting in BMK customers getting less money than they requested:

"Therefore, one's plans cannot be fulfilled" (FGD participant, Malawi).

Like FINO bandhus, KG outlets were limited to a maximum amount of cash they could have on hand at any time, contributing to liquidity problems.

Consumer education could be used to ensure that customers better understand the operational reasons behind the conditions of the branchless banking service and plan accordingly.

Challenges with use of service: customer capacity to troubleshoot

Our market research showed that despite the various operational challenges that customers faced in their respective countries, many customers continued to use the branchless banking services. Operational challenges included network outages, particularly in the rural areas, and non-issuance of receipts, SMS transaction confirmations, and SMS notifications about loan disbursements. Consumers had several questions about what would happen if they encountered these types of problems. For example consumers asked:

"What if I lose the signal in the middle of a transaction and don't receive an SMS confirmation?"

and

"What if I lose my cell phone? Do I lose my m-wallet money?"

Challenges with using the service were numerous. For example, in Malawi and Zambia, network outages were mentioned by several consumers. A VisionFund client in Zambia put it this way:

"If there is no network, then there will be no business," (FGD participant, Zambia).

In Malawi, network outages were the most often cited disadvantage of both the BMK and BMM services:

"When there is no network, we cannot access the service, regardless of how cash desperate you may be," (FGD participant, Malawi).

For entrepreneurs, waiting for the network to be restored results in lost business. Frustration with network problems has caused some BMK and BMM customers to stop using the products.

Another source of frustration for BMK customers is the lack of receipts at KG outlets. When the paper runs out on the POS devices, no receipts can be given, which means that money cannot be withdrawn by BMK customers.

In Zambia, the process for changing a customer's phone number in the system took time, and, as a result, the customer was delayed in receiving their SMS notification to collect their loan money. An inactive SIM card was a common reason for the customer to change their phone number. Customers also voiced frustration with the fact that the SMS messages informing them of actions regarding their loan were in English, which the clients had difficulty reading.

The level of convenience and effectiveness of the customer care service was a further challenge for consumers:

"It can be difficult to ask for help when faced with technical problems. You may need to go to Tuguegarao at the Globe Center, because they cannot fix it here. You will spend P300 (\$7.50) for transportation and then spend the whole day waiting for the problem to be fixed. I was able to get my salary only on the following day," (FGD participant, Philippines, when asked about the disadvantages of mobile banking).

It is important to recall that branchless banking customers in the Philippines, Zambia, and Malawi use paid-for airtime to conduct transactions, and the costs associated with trial-and-error processes can be an important deterrent to increasing use. For example, in Malawi, the mobile network provider, TNM, deducted fees for even incomplete transactions.

"The service providers deduct money even for incomplete transactions. We explained this problem to the customer service officer and she helped us. She changed our PIN numbers but we still encounter the problem." (FGD participant, Malawi)

Consumer education can improve consumers' troubleshooting skills, which are critical during the trial and use phases of the adoption process. Consumer education can demystify common problems that consumers face while using the service and inform them of appropriate actions to take.

Challenges with capabilities of front-line staff and agents

Agents and front-line staff of financial institutions play an important role in strengthening customer access to the branchless banking service particularly from the awareness to trial phases of the adoption process. Agents and staff are often responsible for explaining the branchless banking service to customers, fielding questions, and helping to solve their problems with using the service. In all countries, the agents and staff were provided with training on the branchless banking service and operations. This was necessary because in most cases, they were unfamiliar with use of the technology.

However, the market research findings suggest that a one-time training or infrequent training may not be sufficient. For example, in India, it was found that the training of FINO bandhus was inconsistent among the bandhus interviewed in the market research study, suggesting a lack of adherence to a standardized training process. Training was given in the classroom without any on-the-job training that would have given the agents experience in trouble-shooting. Bandhus also felt that they were inadequately trained in the soft skills required to approach and motivate customers.

"Training is required on how to motivate and convince people." (Bandhu, India)

"We were not trained to approach customers." (Bandhu, India)

In the Philippines, the front-line Mobile Phone Banking Service specialists were challenged when first faced with the new branchless banking technology.

"At first, it was really difficult to understand and adapt to the new technology - ... the specialist was thinking – how is it possible that your money can be stored in the system and transferred. What we needed was constant practice and there really is a need for demonstration." (MABS staff, Philippines)

Similarly in Zambia, VisionFund loan officers stated that they would need to be trained in detail on how to use mobile banking services before they could train their microfinance clients. In the Philippines, the strategies that the bank staff implemented to train front-line staff were then adopted for use with the consumers. For example, demonstrations of how the technology works:

Demos really help. We tell them, here, we'll start with the registration, and then I'll send you one peso. That one peso is now inside your wallet. If you want to get one peso, send me back the one peso in GCASH and I'll give you cash.... That's how we do it." (MABS staff, Philippines)

The bank staff in the Philippines also helped front-line staff by giving them other tips about how to train consumers by providing them a manual they could take to the field and by giving them access to mentors.

In Malawi, OBM trained one staff person per KG outlet in sessions lasting 10 minutes to one hour. Other staff learned to operate the POS device by observing their colleague. However, some of those who were trained felt that the training and the reference materials provided were both inadequate.

"I somehow understood the material during the training, but I was not satisfied with the material itself because the material was new and the pamphlet was not clear due to lack of

pictures. In addition, because the training was done in a hurry and has not been done again, it was not enough.” (KG agent, Malawi)

Sometimes the capabilities of the front-line staff and agents are not an issue, but their availability is. In the Philippines, it was observed that some cash-in, cash-out merchants were not able to assist customers interested in mobile phone banking because they did not have anyone else working in the shops with them. Merchants with shop assistants were found to be better at promoting mobile phone banking with consumers.

At other times, staff capabilities can cause mistrust among consumers. In Malawi, two BMK consumers were concerned about the security of their accounts because they feared that the KG agents were not disposing of waste paper properly:

“We are not sure about the security of our accounts, because KG agents ask us to write our pin codes and then they just throw away the wasted slips...,” (Outlier couple, Malawi).

Without adequate guidance and tools, agents and staff may unintentionally provide inaccurate information to customers, setting up a situation where customers become disillusioned with the service. For example, FINO agents referred to their service like an ATM service, even though unlike ATMs, agents are not available 24/7 and do not have a fixed physical location. Moreover, messages may vary from agent to agent, leading to inconsistent marketing of the service. Building the capabilities of agents and staff of the branchless banking services through training and appropriate tools which communicate standardized core messages is an important component of any consumer education program. The delivery of consistent and accurate messages can help inspire customers’ trust in the branchless banking service and in the frontline staff and agents.

CONCLUSION

Microfinance Opportunities conducted primary field research in order to inform consumer education campaigns on branchless banking at partner programs in four developing countries.

The research was based on a theoretical framework that combined the conceptual model for building financial capabilities with that for diffusing innovations in technology. The research systematically explored the consumer experience with branchless banking services according to this framework.

The studies identified barriers to branchless banking adoption from the customer's perspective. The findings highlighted several ways in which insufficient consumer capabilities are holding back customer use of branchless banking services at each stage of the innovation adoption process. Those challenges are on both the demand side and the supply side of the equation, with low-income consumers lacking the capabilities to use branchless banking services effectively and service providers failing to both build systems and products that are reliable and offer a good customer experience. This, in turn, further challenged the capabilities of consumers.

Under the first, category of challenges, the financial capabilities of consumers, the research identified the following:

- Customer lack of awareness and misconceptions;
- Use of the technology; and
- Trust in the technology.

Under the second category of challenges, those associated with the supply side, the research identified the following:

- Challenges with the delivery channel, specifically with agent availability and proximity;
- The divide between customer expectations and BB operations;
- The lack of clarity for the customers as to how to troubleshoot problems they encountered in conducting transactions or accessing information; and
- The lack of capabilities of front-line staff and agents in terms of communicating about and delivering the service to customers.

The research also highlighted the important roles of attitude and self-efficacy in the consumer uptake and use of branchless banking. A positive assessment of the value proposition of branchless banking combined with confidence in the ability to effectively use the service are key to consumers' sustained use of these services. Microfinance Opportunities revised its concept of consumer financial capabilities as a result of this research placing new emphasis on attitude and self-efficacy.

Identification of the gaps in knowledge, skills, attitudes, perceptions, and expectations was critical to designing a consumer education program which could change consumer behavior. The systematic approach to the market research allowed MFO to identify the types of consumer education that should be focused on at each of the specific stages of the consumers' experience with the branchless banking service. The elements of financial capability – attitude, knowledge, skills, and self-efficacy – can be present in different combinations and given different priority throughout the stages of the adoption process.

- At the awareness stage, when consumers are first exposed to or become familiar with a new branchless banking service, telcos and FSPs can promote a well-informed attitude on the part of consumers by addressing their potential misconceptions about the technology and service or the relevance of these to their lives. Consumer education can also strive to address fears consumers may have about whether they have the ability to use the service correctly, e.g. that they can perform transactions with relative ease. Skills development is not a priority in this stage.

- In the evaluation stage, when the consumer begins to understand the advantages and disadvantages of the innovation and its value for them, consumer education should equip consumers with the knowledge and skills to understand and effectively use the technology including the security and proof of transaction features. Consumer education should continue to promote a well-informed attitude towards the potential value of the branchless banking service.
- At the trial stage, when consumers try out the service to assess its usefulness and value, consumer education must continue to focus on the knowledge and skills of how to use the service and of how to effectively manage troubleshooting issues but must also help to build consumer self-efficacy, that is, the confidence to use the service effectively.
- At the regular use stage, the research suggests that consumer education programs should continue to build consumers' self-efficacy in using the branchless banking service and continue to expand knowledge of how the service can be used to access other financial products to reinforce regular use and expand use to other services.

Additionally, MFO found that particular care should be taken with training for the front-line staff responsible for delivering branchless banking to the consumer. The research highlighted the importance of consistent, standardized, and hands-on training on the branchless banking technology for agents and staff who work with consumers. It is also important to provide these workers with reference materials they can take with them in order to reinforce the information given in the trainings.

The research highlighted the importance of conducting market research on consumer and front-line branchless banking staff capabilities. MFO has developed market research tools and a module to guide practitioners wishing to implement similar research as part of an online toolkit. The market research module first shows the practitioner how to identify the value of investing in the market research study for their consumer education program. It then guides the practitioner to customize the market research tools so that they can identify the key determinants of the customers' behavior with respect to branchless banking. Then it shows the practitioner how to plan and implement the research. These materials are part of the MFO Consumer Education for Branchless Banking on-line course and toolkit available at: www.microfinanceopportunities.org. More details on the consumer education for branchless banking project generally can be found in forthcoming country case studies, also on the Microfinance Opportunities website.

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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>

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[utm_campaign=MMU_Newsletter_OCT302013_Monthly&utm_medium=email&utm_source=Eloqua](http://www.gsma.com/mobilefordevelopment/gsma-announces-initial-findings-from-mmua-2013-global-mobile-money-adoption-survey?utm_campaign=MMU_Newsletter_OCT302013_Monthly&utm_medium=email&utm_source=Eloqua)
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ANNEXES

ANNEX 1: DETAILS ON RESEARCH LOCATIONS

In India, two districts within Uttar Pradesh were selected for research locations based on the presence of at least 100 Bandhus (FINO branchless banking agents) in each. Within these two districts, centers were chosen based on the number of FINO customers in each area and similarity in the socio-economic level of the populations. Semi-urban and rural locations were selected in this way.

In Malawi, the Central and Southern provinces were selected for geographic variation and to ensure that the full range of OIBM customers would be represented. In the Central region, research was conducted in urban Lilongwe and in outlying rural villages. In the Southern region, research was conducted in urban Blantyre and in the Mulanje district which is rural.

In the Philippines, research was conducted in two of the three main island groups: Luzon and Mindanao, where the partner rural banks had significant numbers and volumes of transactions for branchless banking services. Luzon is the largest and most economically and politically important island in the Philippines while Mindanao is in the southernmost part of the country and is the second largest island. The general income level of the population was used as the criterion for selecting the towns or areas for research.

In Zambia, the research took place in and around the two largest cities in the country: Lusaka, the commercial and political capital, and Kitwe, the center of the Copperbelt. Two interviews were conducted in, Ndola, a city close to Kitwe. Within these cities and their outlying areas, research sites were selected based on the availability of microfinance clients who used branchless banking services.

ANNEX 2: CONSUMER SAMPLE SEGMENTATION

India: The research team conducted 16 FGDs, eight each in Agra and in Saharanpur districts. These FGDs were divided equally among men and women. They were also divided into age bands (those 28 to 45 years old and those younger than 28). Approximately three times as many FGDs were done in rural areas as in semi-urban areas. Five outliers were interviewed, three in Agra and two in Saharanpur.

Malawi: A total of 20 FGDs were conducted. In Lilongwe, eight rural FGDs and four urban FGDs were held. In the Southern region, four urban and four rural FGDs were implemented. Of these, eight FGDs were done with Banki Mkhonde customers and 12 with Banki M'manja clients. Equal numbers of FGDs were held with men and women. Additionally four outliers were interviewed in both Mulanje and in rural Lilongwe.

The Philippines: The team carried out 18 FGDs with current and potential mobile phone banking customers. Two FGDs were done with Text-a-Salary (TAS) customers. The remaining 16 FGDs were divided equally between locations and by active and non-active customers. Non-active customers were selected from within the same communities as the active customers. Two sets of payroll clients from different companies in the Luzon area participated in the study. Both groups have been using the TAS service for more than two years.

Zambia: In total, 12 FGDs were conducted. Four FGDs were held with VisionFund Solidarity Group clients, four with VisionFund Group Lending clients and two with Zoonza remittance customers. The FGD participants were between the ages of 20 and 45 years. Equal numbers of FGDs were held with groups of men and women except for the Group Lending segment in which case all the FGD participants were women. The remittance participants in the FGDs were “active” customers that use Zoonza to send money for personal purposes and who have conducted at least four transactions in the past 6 months. Four outlier clients were interviewed individually, as were four VisionFund Individual Loan clients, and four Zoonza remittance customers who send remittances for business purposes.

Profiles of Consumers Participating in the Research

Four hundred and fifty-seven low-income consumers were interviewed across four countries for this research. The consumer samples were designed to be equally balanced in terms of gender. In all but the Philippines, where women composed three-quarters of the consumer sample, the samples were close to evenly divided between men and women. The vast majority of the consumer samples had access to a mobile phone either by owning their own or through someone else in their household. Access to a mobile phone ranged from 100% in Zambia to 92% in Malawi. (See table 5 below.)

The average age of consumers participating in the research ranged from 28 to 41 years with the youngest participants coming from India and the oldest from the Philippines. The relative youth of the India sample may be due to the deliberate segmentation of the sample into two separate age groups. Most consumer participants were married and came from households with from 3.1 to 5.3 people, on average. Zambian households were the smallest while those in India were the largest. Across countries, participants reported high literacy levels although this included those who could read but only with difficulty. There was greater variation in reported education levels, with those participants in the Philippines being the most educated, on average, and those in India, the least educated. In the Philippines, 79% of the consumer sample had completed secondary school compared to 50%, 38% and 23% in Zambia, Malawi and India respectively.

The data on participants' occupations was inconsistent across countries. However, it is clear that a minority of the research participants worked for wages (32%, 39% and 27% in India, Malawi and Zambia respectively). In the Philippines and Zambia, research participants were predominantly self-employed (74% and 88% respectively) which is not surprising as the project partners in these countries target microentrepreneurs.

The consumer samples reported relatively high usage of formal financial services. Over 90% of participants in both Zambia and the Philippines used formal financial services within the previous 12 months. Again, this is due to the fact that the project partners (rural banks in the Philippines and VisionFund) were financial service providers. In Malawi, the percent using formal financial services was relatively low at 76%. This is puzzling as the consumer sample comprised customers of OB. The low percentage suggests that approximately one-quarter of the accounts held by this sample were dormant which has implications for the use of branchless banking related to the accounts. The FINO samples reported very low rates of using a formal financial institution (5%) however 99% reported that they had savings at formal institutions, indicating that there was some misunderstanding of the question about use of formal financial institutions.

The high rate of formal savings (ranging from 85% to 100%) was due to the fact that almost all research participants had some savings through their FINO card which was deposited at a bank. However, several participants had very small amounts saved suggesting low usage of the service. High rates of savings behavior (as defined as percent reporting they had savings) were found across the four countries: 99% in India, 94% in Malawi, 86% in the Philippines and 94% in Zambia. Of those saving, the vast majority were saving in formal institutions. These high rates are due to the fact that research participants were selected based on the fact that they had opened branchless banking accounts in India, Malawi, or the Philippines. In Zambia, the high rates of savings are the result of the mandatory savings requirement at VisionFund.

Table A-1: Selected Socio-Economic Indicators for Consumer Samples in Four Countries

Consumer Research Respondent Indicators	India	Malawi	Philippines	Zambia
n=	128	112	123	94
Women (%)	50	48	75	56
Men (%)	50	52	25	44
Location: Urban (%)	25	NA	18	53
Location: Rural (%)	75	NA	82	47
Average Age (Years)	28	36	41	38
Percent who completed secondary school	23	38	79	45
Percent literate (easily)	92	82	NA	64
Percent married	70	77	71	72
Average number of household members	5.3	4.8	5	3.1
What percent (%) work for wages?	32	39	33	27
What percent (%) engage in self-employment?	22	43	74	88
Percent using any formal financial services in the past 12 months	5	76	91	95
Percent having any savings	99	94	86	94
Of those saving, percent saving in formal institutions	100	85	100	91
Percent who own or have access to a mobile phone at all times	95	92	98	100

Notes: India sample does not include 5 outliers. Percent literate for India includes those who can read only with difficulty. Philippines data do not include the literacy rate nor the Rural/Urban breakdown. % Urban represents % of sample living in 1st class municipalities; % Rural represents % of sample living in all other municipalities.

Table A-2: Definitions of Consumer Sample Segments by Country and Partner

Country and Partner	General Criteria for Research Participants	Active Users (FGD participants)	Non-Active Users (FGD Participants)	Outliers (IDI interviewees)
India - FINO	FINO customers who signed up for the FINO smart card Segmented by age, gender and location	Customers who have used the FINO card to conduct at least one deposit per month in the past 12 months	FINO customers who have not used their FINO card to make a deposit for at least 12 month	Active customers who have made two deposits per month for the past 12 months using their FINO card
Malawi - OIBM	OIBM Banki Mkhonde (smart card) customers Segmented by gender and location	Banki Mkhonde Customers who have used the card at a Kulima Gold (KG) outlet, at least once a month, during the last 6 months.	Banki Mkhonde Customers that perform card transactions only at bank branches or kiosks and not at KG outlets.	Outliers: customers that are users of both services, Banki M'manja and Banki Mkhonde and have been using the services for the past 3 months
	OIBM Banki M'manja (mobile banking) customers Segmented by gender and location	Banki M'manja Customers that used mobile phone banking services to perform transactions at least once a month, during the last 3 months. Transactions include using their mobile phone to check balances, transfer funds, pay for water bills, or pay electric bills.	Banki M'manja customers that did not use mobile phone banking services to perform transactions.	
Philippines - MABS and Rural Banks	Rural Bank Mobile Banking customers	Rural bank clients that signed up for mobile phone banking service and performed at least one transaction within a month.	Rural bank clients that have not signed up for the mobile phone banking service.	

Country and Partner	General Criteria for Research Participants	Active Users (FGD participants)	Non-Active Users (FGD Participants)	Outliers (IDI interviewees)
	Rural Bank -Text a Salary service clients	Payroll clients using mobile phone banking: Employees of private companies who currently receive their salaries via their mobile phone wallet as part of the payroll service (called Text-a-Salary).	NA	NA
Zambia Zoono/ VisionFund	VisionFund microfinance clients using Zoono mobile banking Clients within the 20-45 years age group No more than 2 people belonging to the same group or same Harmos Loan Officer.	Solidarity Group Clients and Group Lending Clients that receive their loan disbursements through Zoono mobile money. Lusaka-based client sample required to have received at least two loans through Zoono. Kitwe-based clients sample required to have received at least one (1) loan through Zoono.		Zoono clients that are regular users of a Kwacha Account
	Clients within the 20-45 years age group Men/Women	Individual loan clients Lusaka-based customers who have taken at least two individual loans through Zoono. Kitwe-based customers who have taken at least one individual loan through Zoono		

Zambia: Solidarity group clients belong to smaller groups (5-10 people), take larger loans, and are more likely to own their own cell phone. The majority of these clients are women. Group lending clients belong to larger groups than Solidarity Group clients (15-20 people), take smaller loans, and are less likely to own their own cell phone. The majority of these clients are women.

Table A-3: Definitions of the Supply Side Sample Segments by Country and Partner

Country and Partner	Financial Service Provider Or Branchless Banking Provider Staff	Active Front Line Staff Or Intermediaries	Less Active Front Line Staff Or Intermediaries
India - FINO	Trainers - FINO consultants who are responsible for training the Bandhus in financial education.	Bandhus with high levels of transactions: 240 or more transactions per month in Agra 200 or more transactions per month in Saharanpur	Bandhus with low levels of transactions: 50 or less transactions per month in Agra 65 or less transactions per month in Saharanpur
Malawi - OIBM	OIBM staff: OIBM officers that played a role in Bank Mkhonde and Bank M'manja. Included Regional Managers/Financial Service Centre Managers and Supervisors.	Kulima Gold agro-dealer store merchants that provide OIBM Banki Mkhonde services and carryout direct cash out services for OIBM clients Have over 20 transactions per month.	Kulima Gold agro-dealer store merchants that provide OIBM Banki Mkhonde services and carry out direct cash out services for OIBM clients. Have less than 20 transactions per month.
Philippines - MABS and Rural Banks		Retail merchants who conduct more than 2 MPBS transactions weekly and are successful in recruiting new m-banking customers.	Retail merchants who have less than 2 weekly MPBS transactions and have difficulty recruiting new m-banking customers.
Zambia - Zoona/VisionFund	VisionFund Loan Officers who have a minimum of 6 months working experience	Zoona Champion Agents with good sales performance.	
		Retail or merchant agents who conduct a good volume of mobile transactions for customers.	

Notes: India - Business Correspondents or Bandhus are FINO employees who act as Business Correspondents in a specific location and provide services like collecting/withdrawal of savings.

FGD Samples by Program

Table A-4: India - Number of Consumer Focus Group Discussions conducted by sample segment, gender and location

	Region 1: Agra				Region 2: Saharanpur				Total		
Type of Customers	Semi-urban		Rural		Semi-urban		Rural				
	M	F	M	F	M	F	M	F	M	F	FGDs
Active Customers		1	2	1	1		1	2	4	4	8
Non-Active Customers	1		1	2		1	2	1	4	4	8
Total	1	1	3	3	1	1	3	3	8	8	16

Table A-5: Malawi - Number of Consumer Focus Group Discussions conducted by sample segment, gender and location

	Region 1: Central				Region 2: Southern				Total		
Product/District	Lilongwe Urban		Lilongwe Rural		Mulanje Rural		Blantyre Urban				FGDs
	M	F	M	F	M	F	M	F	M	F	
Banki Mkhonde											
Active Users			1	1	1	1			2	2	4
Non-Active Users			1	1	1	1			2	2	4
Sub-Total Banki Mkhonde			2	2	2	2					8
Banki M'manja											
Active Users	1	1	1	1			1	1	3	3	6
Non-Active Users	1	1	1	1			1	1	3	3	6
Sub Total Banki M'manja	2	2	2	2			2	2			12
Total	2	2	4	4	2	2	2	2	10	10	20

Table A-6: Philippines – Number of Consumer Focus Group Discussions conducted by sample segment, gender and location

	LUZON		MINDANAO		GRAND TOTAL		
Type of Customers	1st class municipality	Other municipality	1st class municipality	Other municipality	1st class municipality	Other municipality	Total FGDs
Active Customers	0	4	2	2	2	6	8
Non-Active Customers	0	4	2	2	2	6	8
Payroll clients/Text-a-Sweldo	0	2	0	0	0	2	2
TOTAL	0	10	4	4	4	14	18

Note: Philippines municipalities are stratified into several classes based on income levels. The locations in which the research took place ranged from 1st class to 4th class towns. Also note that FGDs in the Philippines were not segregated by gender.

Table A-7: Zambia - Number of Consumer Focus Group Discussions conducted by sample segment, gender and location

Product/District	Region 1: Lusaka		Region 2: Copperbelt (Kitwe & Ndola)		Total FGDs		
	M	F	M	F	M	F	
VisionFund Solidarity Group* Clients	1	1	1	1	2	2	4
VisionFund Group Lending* Clients		2		2		4	4
Zoona Customers – Money transfers for non-business purposes	1	1	1	1	2	2	4
Total	2	4	2	4	4	8	12

*It is estimated that the majority of these clients are unbanked

Individual Interview Samples by Program

Table A-8: India - Number of In-depth Individual Interviews by sample segment, gender and location

	Region 1: Agra				Region 2: Saharanpur				Total		
Sample Segment	Semi-urban		Rural		Semi-urban		Rural				
	M	F	M	F	M	F	M	F	M	F	IDIs
Consumer Outliers		1	1	1	1			1	2	3	5
Bandhus - High Activity	1		1		1		1		4		4
Bandhus - Low Activity	1		1		1		1		4		4
FINO Trainers	4										4
Total	6	1	3	1	3	0	2	1	10	3	16

Table A-9: Malawi - Number of In-depth Individual Interviews by sample segment and location

		Region 1: Central		Region 2: Southern		Total
Sample Segment		Lilongwe		Mulanje	Blantyre	IDIs
		Urban	Rural	Rural	Urban	
OB Staff	Regional Manager/FSC Manager	1		1		2
	Supervisor*	3		1	2	6
Sub-Total OB Staff		4		2	2	8
Agents	Non-Active	0	0 ¹⁰	1	1	2
	Active	2	2	1	1	6
Sub-Total Agents		2	2	2	2	8
Consumers	Outliers	0	4	4		8
Sub-Total Consumers		0	4	4	0	8
Total		6	6	8	4	24

10 All KG outlets were not eligible as non-active as they had more customers than 20 customers a month which was the threshold for the research.

Table A-10: The Philippines - Number of In-depth Individual Interviews by sample segment and location

	LUZON		MINDANAO		Total
Sample Segment	1 st class municipality	Other municipality	1 st class municipality	Other municipality	IDIs
Active Merchants	1	2	0	4	7
Inactive Merchants	0	1	2	0	3
Rural Bank Staff	0	0	3	0	3
Total	1	3	2	4	13

Table A-11: Zambia - Number of In-depth Individual Interviews by sample segment and location

Sample Segment		Region 1: Lusaka	Region 2: Copperbelt (Kitwe & Ndola)	Total IDIs
Zoona Agents	Champion Agents	2	2	4
	Merchant Agents	2	2	4
Sub-Total Agents		4	4	8
VisionFund Staff	VF Loan Officers	2	2	4
Sub-Total VisionFund Staff		2	2	4
Zoona Customers	Customers - Money transfers for business	4	0	4
Sub-Total Money Transfer Customers		4	0	4
VisionFund Clients	Individual loan Client	2	2	4
	Outlier Client	2	2	4
Sub-Total VisionFund Clients		4	4	8
Total		14	10	24

Table A-12: Selected Socio-Economic Profile Data by Country and by Gender

Respondent Indicators	India			Malawi			The Philippines			Zambia		
	Women	Men	Total %	Women	Men	Total	Women	Men	Total	Women	Men	Total %
n=	64	64	128	54	58	112	92	31	123	53	41	94
Gender (%)	50	50		48	51		75	25		56	44	
Location: Urban (%)	25	25	25	NA	NA	NA	16	2	18	53	54	53
Location: Rural (%)	75	75	75	NA	NA	NA	55	27	82	47	46	47
Average Age (Years)	28	29	28	33	39	36	42	37	38	40	35	38
Percent who completed secondary school	38	66	52	38	38	38	82	90	79	28	66	45
Percent literate (can read easily)	84	100	92	83	82	82	NA	NA	NA	49	83	64
Percent married	77	64	70	68	86	77	74	61	71	57	80	72
Average number of household members	5.3	5.3	5.3	NA	NA	4.8	5	4	5	3.5	2.7	3.1
What percent (%) work for wages?	30	34	32	NA	NA	39	24	58	33	15	41	27
What percent (%) engage in self employment?	11	33	22	NA	NA	43	78	62	74	96	78	88
Percent using any formal financial services in the past 12 months	2	8	5	76	76	76	97	74	91	96	93	95
Percent having any savings	100	98	99	92	96	94	91	71	86	96	90	94
Of those saving, percent saving in formal institutions	100	100	100	NA	NA	85	100	100	100	94	86	91
Percent who own or have access to a mobile phone at all times	92	98	95	NA	NA	92	98	100	98	100	100	100

NOTES: India: Outlier consumers are not included in the SEP analysis; Literacy rate includes those who can read only with difficulty.

Philippines: Rural/Urban breakdown is not available. % Urban represents % of sample living in 1st class municipalities; % Rural represents % of sample living in all other municipalities.