



Smart Cards in India:

The Role of Consumer Education in Promoting Adoption

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INTRODUCTION

The seventh largest country by area, India is the second-most populous nation, and most populous democracy, in the world.¹

According to a 2012 World Bank Financial Inclusion Survey, only 35% of adults in the country held accounts at formal financial institutions. In rural areas, just 33% of adults had accounts in formal financial institutions compared to 41% of adults living in urban areas.² To expand access and increase use of formal financial services, the Reserve Bank of India (RBI) has made financial inclusion a policy priority.

Smart card technology—or the use of cards with embedded computer chips that store customers' account information and enable transactions to be performed online or off-line---presents an important opportunity to help banks bridge the divide in serving rural and remote customers. In partnership with The MasterCard Foundation, Microfinance Opportunities (MFO) undertook a pilot program in India to determine how consumer education (CE) could increase the use of smart cards among a sample population of the country's low-income and rural consumers not currently served by formal financial institutions.

The program was part of a larger group of pilot projects, with others taking place in the Philippines and Zambia. Across the three countries, MFO sought to evaluate how CE could increase the financial capability of low-income consumers to make and exercise informed, confident, and timely decisions around signing up for and actively using BB. The India CE program targeted more than 20,000 customers in 122 villages across two districts in the northern state of Uttar Pradesh.

This paper is a synopsis of the India CE program. Throughout the project, MFO documented each phase---from market research to process documentation to outcomes assessment.³ This paper synthesizes and highlights the salient lessons learned from them.

MFO worked on the ground in India with its local partner, FINO PayTech Private Limited, a business and banking technology platform specializing in providing access to formal financial products and services on behalf of banks, government, and insurance companies. The two organizations joined forces to design, implement, and evaluate a CE program to support the

¹ "Country Profile: India", Library of Congress Research Division (webpage), <http://lcweb2.loc.gov/frd/cs/profiles/India.pdf>, accessed January 2013.

² <http://datatopics.worldbank.org/financialinclusion/country/india>

³ <http://microfinanceopportunities.org/cebb>

country’s low-income and rural populations to actively use FINO PayTech smart cards to save in their bank accounts.

In the context of India’s recent laws governing financial inclusion—and the related emphasis on providing basic, streamlined accounts for the poor, FINO PayTech is a branchless banking service provider under the country’s Business Correspondent Model for banking.⁴ FINO PayTech works on behalf of banks to provide access to financial services for people in unbanked and under-banked areas in rural India. Through its smart card technology and network of agents, FINO facilitates customers’ access to banking services, allowing them to perform transactions in their savings accounts without having to travel to their bank.

In addition to facilitating under banked customer transactions, banks also hire FINO PayTech to sign up customers for their accounts. At registration, customers receive a FINO PayTech biometric smart card that includes their photo and fingerprint information embedded in a chip in the card. FINO PayTech business correspondents or “bandhus,” as FINO PayTech refers to them, are charged with visiting either individual households or meeting places within villages to facilitate deposits and withdrawals via a handheld Point of Transaction (POT) device that reads smart card information.

As an intermediary between the customer and the financial institution, FINO PayTech’s revenue comes primarily from the fees it charges to the financial institutions. It collects transaction fees as well as one-time card issuance fees from the enrollment of new customers. FINO PayTech also charges ongoing fees to financial institutions for the use of its back-end system, its POT devices, and annual maintenance fees for the devices. With the exception of remittances, customers do not pay fees to use FINO PayTech services.

Figure 1: FINO PayTech

Year Established	2006
Products and Services	Banking technology platform and business correspondent network that enable end-to-end customer sourcing and servicing. Technology includes biometric smart card and point-of-transaction terminals. Smart card can link customers to financial products and services such as savings, loans, remittances and insurance.
# of Customers	77 million (<i>as of April 2014</i>)

The project’s goal was to increase FINO PayTech card use among existing customers through a targeted CE campaign to provide them with information about the associated technology,

⁴ The basic accounts are known as Basic Saving Bank Deposit Account or “BSBDA.”

its use, and potential benefits. The initiative also sought to improve the financial capabilities of customers necessary to manage their money in a way that facilitates savings through small and regular deposits to bank accounts, through their smart cards.

The challenges that emerged from implementing a CEBB program at a large scale reflected the challenges consistent with providing a branchless banking service at scale. Therefore, the insights gained from this CEBB project also point to important considerations for institutions bringing BB services to scale. One key lesson learned from the implementation of this project is that CE will not change customers' behavior if the BB service network through which the CE is being delivered is not stable and working effectively. This is particularly true if the BB service network also serves as the delivery channel for the CE.

THE CHALLENGE

Prior to the CE program, FINO PayTech was very successful in signing up customers for its FINO PayTech card: 31 million at the start of the project, which it achieved through mass registration drives in villages.

However, use of the FINO PayTech card was limited. Based on MFO analysis of FINO PayTech card activity in the state Uttar Pradesh at the time of the project, MFO calculates that two percent of people who had registered for the card service as of September 1st 2011 used their card on at least six different days between September 2011 and February 2013.

Following sign up, challenges emerged around customers' understanding of the FINO PayTech card and service. Market research indicated that new customers did not necessarily understand what the smart card service was or how it worked. Some customers believed that the smart card was an identification card and did not realize that it was linked directly to a bank account.

Customers also had limited awareness of the role of FINO PayTech or its relationship to local banks and required more information to build their trust in the BB system. Unlike the traditional system of accessing banking services through bank branches, the business correspondent model provides bank services through local agents using technology devices. For many customers, this new type of banking model was unfamiliar: a non-bank institution facilitating banking transactions within their villages using agents and technology.

Customers also lacked understanding of the role of the bandhus as agents, and when and how to access them. For example, some customers believed that bandhus were similar to ATMs in that bandhus would be available 24 hours/7 days a week. Such misconceptions lead to dissatisfaction with the service when customers' expectations were unmet.

THE CONSUMER EDUCATION SOLUTION

In order to mitigate the customer challenges described above, MFO and FINO PayTech developed a CE program to test in two districts in the state Uttar Pradesh.

The goal of the program was to increase the use of the smart card among FINO's existing customers by increasing their knowledge, skills and confidence to use the card and to manage their money effectively, particularly around saving, through the card. The program targeted more than 20,000 customers in 122 villages as well FINO bandhus and trainers for the two districts. MFO and FINO PayTech jointly established a delivery strategy which included customer training workshops and reinforcement training through bandhus which responded to customers' preference for face-to-face training. The CE strategy development looked at ways to embed CE into FINO PayTech's existing operational processes, so that the CE would be sustainable.

Customer training workshops—held for a total of six hours over the course of two days—were led by FINO PayTech consultant trainers, with support from the bandhus. The topics included budgeting and saving strategies, in addition to the fundamentals of the FINO PayTech service and the role of bandhus as agents. Participants learned how to use the FINO PayTech smart card to facilitate saving and also became familiar with other general types of financial products such as money transfers, loans and insurance. The interactive training sessions were supported by learning tools: training posters and illustrated customer activity books, which were heavily illustrated with limited text to remain relevant to low-literacy customers.

The workshops gave learners the opportunity to delve deeper into the topics at-hand in a direct training format that they preferred. While the results of the program found significant value in providing this type of hands-on, direct training to customers, the time and expense of the workshops made it clear that these finite events would need to be eventually supplanted

by more sustainable modes of delivery, specifically embedding CE into bandhus' regular visits to customers.

The bandhus were central to the CE strategy and key to its sustainability. First, bandhus provided access to the FINO PayTech service. This access served as the touchstone for customers to put their workshop training into practice: it enabled them to start transacting with their FINO PayTech cards. Second, bandhus provided opportunities to reinforce key CE messages. Due to their regular contact with customers, bandhus could leverage their visits to reinforce key messages, answer questions, and help keep the messages fresh. They also had flip books---illustrated tools with brief CE messages and refresher questions designed to engage customers during their brief interaction time. Bandhus were a direct bridge between customer learning and customer action.

During the implementation of the wide-scale CE program, challenges emerged. FINO PayTech staff reported that customer attendance during initial trainings in villages was low as they contended with extremely hot temperatures in the weather and scheduling around customers' income-generating activities and family obligations. However, FINO PayTech staff found that once appropriate schedules were determined and implemented, word of mouth about the quality of the trainings from those who attended the trainings increased participation in subsequent trainings. FINO PayTech also offered prizes at the end of the workshops for those who could correctly answer quiz questions from the training.

Another challenge was conflicting reports regarding the number of customers trained, an indication of challenges within the project's monitoring system. At the beginning of the program, reports from field staff stated that targets were being met in villages. However, many customers participating in MFO's outcomes assessment activities reported that they had not received the consumer education training. As a result, FINO PayTech intensified its efforts to provide training to the customers in the affected areas. At the end of the program, interviews conducted by MFO with customers continued to indicate uneven implementation of training. Some customers reported they had received CE while others reported they had not.⁵

Reinforcement training from bandhus also did not go as planned. Bandhus utilized the flip books primarily as marketing tools to attract new customers instead of using it with existing customers to reinforce the CE which could potentially increase customers' transactional activity with their cards.

⁵Tower, C. with Robertson, T. and Stuart, G. (2013) Consumer Education for Branchless Banking Assessment: FINO PayTech, India. Washington, DC: Microfinance Opportunities.

Finally, the projected impact of the CE program was impacted by customers' access to the FINO PayTech service. According to the majority customers interviewed in the outcomes assessment study, bandhus in the research areas did not make regular visits to their customers. Without access to the service on a regular basis, customers' ability to act on their CE training and use their smart cards was constrained.

LESSONS LEARNED

Several key lessons emerged from MFO's experience with this program.

Challenges with the financial delivery system meant lost opportunities for the CE program. Customers in the areas where the financial education pilot program took place reported that they did not receive visits from bandhus. One-third of the customers participating in the outcomes assessment for the program reported that they would have found the CE useful, had they also received visits from the bandhus. Momentum generated from the customer training workshops dissipated without regular access to the service as these customers could not immediately use their cards. Moreover, without consistent visits from bandhus, existing customers could not receive reinforcement training from bandhus, further reducing chances for the CE to gain traction. Finally, in the absence of regular visits from bandhus, the impact of the CE on customers' transactional activity with their cards was difficult to assess.

Financial Service Providers (FSPs) need to determine the right time to launch CEBB. CE builds trust among customers who might otherwise be skeptical or skittish in taking up and using a BB service. If the service fails to meet customers' needs or expectations, then the hard-earned gains from CE may be lost. Only when the BB channel is stable and can provide customers reliable access to the service it promises to offer, can it create the most appropriate environment for CE to have an impact. Moreover, only in such settings is there a stable agent network through which to deliver CE, and a stable financial service system through which customers can immediately apply what they have learned and begin a habit of using the card.

Furthermore, it is clear that it cannot be assumed that an FSP with the scale of operations that FINO PayTech has, will also have the capacity or initiative to institutionalize M&E for CE within its existing monitoring systems. For organizations operating on a scale as large as that of FINO PayTech, it is critical to ensure that the M&E process is working effectively at all levels of the institution, and that staff is provided with training and sufficient tools to ensure accountability and follow-through in the field. Creating a direct feedback loop from customers to the BB service provider can be a useful monitoring tool on the ground and provide valuable feedback on the quality of the CE and the service.

Finally, it is important not to underestimate the amount of trust customers need to develop in order to start using any type of new BB service. Although the Business Correspondent Model was bringing banking services closer to home for the customers, it still required customers to take a substantial leap of faith to use this type of BB system. Customers, skittish from stories they heard of fraudulent financial schemes in the past, were wary of placing their trust in an unfamiliar type of banking model that used a network of business correspondents instead of bank branches.

THE RESULTS

To assess the range of outcomes of the CEBB program, MFO conducted both quantitative and qualitative research in the two pilot districts.

The quantitative research was conducted to measure the amplitude of the training program's impact on client financial behavior. The quantitative research consisted of two methodologies: analysis of management information systems (MIS) data provided by FINO PayTech and financial diaries research that collected weekly data from participants on all of their formal and informal financial transactions. Qualitative research was conducted to assess the training program's impact on the level of customers' financial capabilities and the response of customers and bandhus to the program. MFO conducted individual interviews with FINO PayTech cardholders and focus group discussions with bandhus.

The majority of customers who received CE felt that it was useful in helping them to use their FINO PayTech card or manage their money, or that it would have been--had they received visits from the bandhus.

CE helped build customers' trust in BB services and the new actors that provide access to them. Significant numbers of customers who received CE felt it helped them understand that the Smart Card service was secure and that its features such as the biometric fingerprint would protect them. Bandhus also reported that CE helped build customers' trust in FINO PayTech.

The project also suggested that women's money management was also positively impacted by CE. A comparison of behavior before and after CE showed that women who received CE received larger remittances and reduced their borrowing following the CE, compared to the period before they received CE. Women who did not receive CE did not demonstrate this behavior. This suggests that women who received CE requested larger transfers while seeking fewer lower loans as a strategy to smooth their income and at the same time, not incur additional debt.

The CE project also helped increase the capabilities of bandhus to better serve their customers. Bandhus felt the CE training and the flipbook helped them to explain the FINO PayTech service in a step-by-step way that was easy for customers to understand. The flipbook also helped bandhus to recall information about the FINO PayTech service.

MFO's analysis of hundreds of thousands of FINO PayTech transaction records suggests that CE has a role in increasing accountability among business correspondents. MFO's data analysis shows that in areas where CEBB was offered, there were more FINO clients transacting on any given day of the month. These data indicate that, in these areas, business correspondents circulated more in their assigned communities, giving customers more opportunities to transact.

CONCLUSION

The challenges of implementing this large-scale CEBB project were reflective of the challenges of providing a BB service at scale, such as the challenge of building and maintaining a network of active agents.

In fact, the potential impact of this CE program on customers' use of the FINO PayTech service relied heavily on the agent network to provide consistent access to the BB service and reinforcement training to customers.

Moving forward, CE needs to be embedded into agents' regular training and incorporated as part of their onboarding as new employees. The CE can be an integral part of their customer service training and as such, CE becomes a part of their normal duties as agents, rather than as an extra or optional task. Moreover, if the goal of the CE is to increase use of the service, then any incentives that the BB provider offers to agents should also be tied to customers' use of the service, not just sign-up. Agents need to see a direct correlation between providing CE to their customers and a positive impact on their jobs.

Moreover, with providers that reach massive numbers of customers, the importance of having in place strong M&E processes is even more crucial. The M&E should include mechanisms for customers to provide direct feedback to the service provider and a process to use this information to make improvements. Robust M&E processes are important both to ensure that the BB service is functioning properly and also to ensure that any training or additional services offered to customers are reaching customers effectively.

Finally, the bigger the scale of service, the more challenging it can be for BB providers to offer stand-alone programming for customers at scale. The challenges in this CEBB project indicate the need to embed CEBB within an institution wherever possible, leveraging existing points of contact with customers rather than creating new ones. BB providers should explore contact points where customers are already gathered such as at registration events or during points of transactions, and examine how CE messages can be incorporated into these contact points, even if the CE is not as in-depth as workshops might be. Embedded CEBB can be a useful, pragmatic alternative to one-off CE workshops that customers may not have time to attend and which require significant staff time and expense to organize and monitor. BB providers can also look at the contact points of partner organizations or other stakeholders to support the CE, such as banks in the case of the FINO PayTech project.

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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 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/cebb>