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# No Customer Left Behind: Financial Education for Long-Term Adoption of Branchless Banking

High initial uptake of mobile phone banking and bank cards by low income clients has fueled optimism about branchless banking. But, continued confusion among some clients—"what is a PIN?, why can't I keep using my passbook?"—has precipitated interest in financial education as a way to increase long-term adoption. To date there has been limited discussion of what such financial education will actually look like. In this piece, Monique Cohen and Julie Lee of Microfinance Opportunities, present how financial education might be designed to address the knowledge constraints that impede poor people's adoption and usage of technology-based financial services.

Across the microfinance industry, there has been much speculation about branchless banking as a solution for increasing financial access for the poor on a rapid and massive scale. Without proper financial education, long-term usage rates may suffer. The key to improving technology uptake and understanding is formalized financial education for low-income clients in developing countries.

## Identifying Knowledge Constraints

The entry point to this discussion is what and how information about mobile phone banking and bank cards is currently delivered to clients. Financial service providers often rely on product marketing and product orientation to deliver their key messages which respectively highlight services and teach subscribers to use the technologies associated with the products. These two methods are seen by many users, and increasingly service providers, as inadequate or too infrequent to be effective. They often fall short of stimulating the appropriate client behavior that could close the gap between uptake and usage.

In order to identify good usage behaviors which could be applied in financial education, Microfinance Opportunities conducted market research in four countries: the Dominican Republic, Kenya, the Philippines and South Africa. The research teams conducted 51 individual interviews with current users, seven focus group discussions with users and non-users of branchless banking, and 68 interviews with key informants.

From the research, three major themes emerged about financial education:

- **Lack of Understanding of Formal Financial Services**

It is widely assumed in the microfinance sector that consumers who use informal financial services also *understand* formal financial



Many low-income clients prefer personal aspects of high-touch banking.

services. However, many may not, and as a result, are unable to fully utilize the products and services to meet their financial goals. In the Dominican Republic, respondents who were bank cardholders wanted to know more about how to save, manage credit, set financial goals and know the differences between types of bank cards such as debit cards and credit cards.

**"When clients do not understand banking, they have difficulty accessing financial services regardless of the delivery channel."**

When clients do not understand banking, they have difficulty accessing financial services regardless of the delivery channel. Technology, meant to provide convenience, can add another layer of complexity for these consumers. Many low adopters, whose mobile phone accounts are linked to their bank accounts, were unaware of the full range of financial services, such as savings products, at their disposal. They limited their transactions to airtime top-ups, transfers, and payments. Similarly, bank card holders restricted their usage of debit cards to cash withdrawals and balance inquiries at ATMs.

- **Weak Consumer Trust in Branchless Banking**

Limited confidence in technology slows uptake and usage of both mobile phone banking and bank cards. Respondents accustomed to "high touch" banking were often reluctant to part with its perceived benefits--interaction

with bank staff, passbooks, and receipts for payments. One respondent commented "I am used to the book [passbook]...the book helps me keep track of my account and I can also deposit money using it...I cannot do the same with the ATM."

Low touch banking can be seen as less trustworthy, with machines replacing human interface as primary points of contact, and SMS confirmation numbers replacing paper receipts. Respondents commented, "I can't feel the money," and, "I don't want to keep worrying whether the money has been received or not so I would rather go to the teller." Respondents worried that they lacked recourse if they made transactional errors (i.e., wrong phone number for a money transfer) or if technical difficulties occur (i.e., bank card swallowed by an ATM). They often found assistance from agents or help desks unsatisfactory and worried that technical problems would translate into problems with the money in their accounts.

- **Low Levels of Familiarity with Technology**

Client discussions identified the PIN (personal identification number), a singular feature of mobile banking and bank cards, as a major source of confusion. Because many had never used them before, users found that the PIN presented an array of pitfalls. Many did not understand the importance of remembering the PIN and keeping it secure. Some clients, particularly the elderly, shared their PIN with others who then stole from them, or with their children who conducted transactions on their behalf. Many clients forgot their PINs and were locked out of their accounts. Others, not knowing the mechanics of how to change a PIN using a keypad either had the agent make the change for them or never established their own numbers.

Customers also confused the PIN and the

## CLIENT READINESS |

user number. At a call center in South Africa, recurrent questions were, "What is my user number?" and, "When do I enter my PIN?" Despite a familiarity with texting, many customers in Kenya said they ignored the text messages from their bank promoting the new technologies because they felt overwhelmed by the number of messages. Other respondents noted that with infrequent usage they tend to forget the operational mechanics of conducting transactions, especially with mobile phone banking.

### Delivering Financial Education

Financial education can play a role in making financial products work better for both clients and providers. Furthermore, it can help fill the gap between client uptake and usage by encouraging behavioral changes that help clients better navigate both the technology and the financial services environment.

Financial education teaches the knowledge, skills and attitudes that people can use to adopt good money management practices for earning,

spending, saving, borrowing, and investing. Successful financial education is more than simply imparting information about financial products and services, and money management; it develops financial literacy about a broad range of basic financial skills and is therefore relevant to anyone who makes decisions about money. Overlapping with, but broader in scope and more in-depth than product marketing and orientation, financial education builds the foundation for clients to become more effective managers of their personal finances and as a result, better consumers of formal financial services.

**"Client discussions identified the PIN, a singular feature of mobile banking and bank cards, as a major source of confusion.**

The success of financial education is linked to its delivery as much as it is to content. Microfinance Opportunities' experience in the field has shown us that financial education can be broad as well as deep. The former encompasses blanket messages intended to reach large numbers of

people. Going deep with group training requires a more nuanced approach but is a challenge to deliver when users are dispersed. A combination of both is likely to be the most effective in delivering key messages.

Based on the research findings, Microfinance Opportunities plans to develop a financial education curriculum that promotes increased usage of the technologies. With its focus on issues such as building trust and privacy of personal information, the curriculum will be adaptable to different contexts—from a classroom format to a variety of cost-effective delivery channels, including, print, radio, video, and street theater. ■

Monique Cohen & Julie Lee of Microfinance Opportunities contributed this piece. Microfinance Opportunities, is at the leading edge in providing global financial education for the poor. Please contact Julie Lee at [financialed@mfopps.org](mailto:financialed@mfopps.org) or visit [www.microfinanceopportunities.org](http://www.microfinanceopportunities.org).

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