

SHOW ME THE MONEY! LESSONS LEARNED IN DIGITAL PAYMENTS

Q&A AUDIO TRANSCRIPT

FEBRUARY 9, 2017

PRESENTERS

Fernando Maldonado, USAID

Marcella Willis, NetHope

Jamie Zimmerman, BFA Global

MODERATOR

Chrissy Burbank, Knowledge-Driven Agricultural Development (KDAD) Project

Moderator: Those were great presentations and we've actually gotten a lot of questions online and I'm sure we have some questions here in person, but let's start with an online question. This question came up while Marcella was presenting. It's open to all of you. This is from Indra Klein, with use of digital payment platforms, is there evidence that reflects any effects on the credit profile of the user? And if so, how are financial and insurance institutions adapting to better streamline processes?

Jamie Zimmerman: So the question is how they're using – how are we seeing digital payments – transactions histories being used for credit profiling?

Moderator: How is it affecting credit profiles and is there any work or thoughts around that?

Marcella Willis: Well, I think the big – I mean, the main news case is, of course, out of Kenya. I know people get tired of hearing about Kenya with, for example, M-Shwari, I think has inspired a lot of other countries. I've heard of other countries where they're starting to develop credit products based on the use of the financial profile. I think it can be, the data is there. The mobile network operators have the data of how people are using their mobile money accounts. So the more that they use it for a variety of financial services or buying air time or sending money or buying goods and services, then that data can be harnessed to create these algorithms to develop these credit products and insurance products.

I think it is happening. I think I've heard it being rolled out in other countries as well by different service providers. I think one issue is around we always talk about trying to get people to use their mobile money accounts for a variety of goods and services, which in some countries, people tend to use maybe an over-the-counter model where they're working with agents to do those transactions for them that doesn't allow them to build those profiles. I think it is something we're going to see more of.

Fernando Maldonado: Yeah, if I could add to that, I think there are a number of ways that this is being addressed. We have examples out of Uganda where they are government led subsidies in support of weather-resistant insurance, where there are certain entities that are playing sort of a brokerage role to figure out sort of which policies make the most sense for which smallholder

farmers. So I think the trend is sort of moving forward, as far as how do you aggregate the data. I think the other highlight is of course, the role of third-party aggregators and sort of the role they play in consolidating services and becoming more beyond just sort of that service offering, also serving the role of addressing sort of the algorithms and coming up with proxy indicators to assess credit worthiness.

Moderator:

Great, those are great answers. Let's see if we have any questions or shared stories, insights from anyone in the room, if you just want to put up your hand, if you have anything to ask or to add.

Audience Member:

Yeah, great, thank you so much for all the interesting presentations. I think one of the big things that I was wondering, you know, if you want to engage people in a financial vehicle, and do that sustainably with really kind of emotionally invested, right? Need something that they care about and I'm wondering from – what I didn't really catch is, if out of the work that you guys have done, I was even thinking with your champion case, right. Like, what are people caring about? What are the levers that we can actually build on, because I hear a lot about tools or organizations kind of driving like hey, we're offering this. But what's really coming from the ground? Where is that space? Is there any work going on in that space?

Fernando Maldonado:

I could address that. I think that's a great question and as a matter of fact, I think that's one of the biggest challenges we often come up against in terms of customer acquisition and really kind of getting the private sector motivated to go out and kind of have these robust agent networks that are acquiring customers. One of the things that – one of the recent revelations that we're starting to see is if you look at the conventional theory of change, you- the thought is always okay, we got to onboard people onto mobile money accounts, right, you know, for obvious reasons, at least in our minds. But what we realize is that in the context of kind of rural environments, that's not always an incentive enough for say the smallholder farmer to say okay, you know, as Marcella highlighted, it's a cash-based system. It's behavioral, right. We're used to kind of using cash.

One of the things that we're exploring is actually looking at added value services. So PayGo solar, for example. If I have a means to charge my phone or if I can kind of light my house, I mean, to me, that's worth the money

and worth me opening up a mobile wallet from the perspective of a smallholder. And so if you even look at the numbers from MCOPA and others, you know, it's something between 80 and 90 percent of their new customers are first-time mobile money subscribers. So I think that's sort of an area that I think – yeah.

Jamie Zimmerman:

Yeah, there certainly is lots of work going on, on the customer side and a recent I think increasing push for an acknowledgement of the need for client centricity and that really, for a long time, we were all about access. We want financial access for everybody, but access, if it's not adding value to someone's life, is meaningless. So now, it's a critical question really. I mean, we can create an enabling environment, but if it's providing little value, so what are the elements of that and how do we build the systems and the programs that meet those needs and that the customers and clients and even thinking about recipients of social payments. This is one of the areas that I've worked on a long time where 10 years ago we were talking about this like oh, this is great, we can start paying people who are already receiving cash transfers and we can do it digitally. And it'll immediately be financial inclusion and won't that be really great and then lo and behold, they took their money and they walked away as soon as the payment came through, because I added no additional value beyond receipt of cash, because the usefulness, the utility of the mobile product or the card or whatever the account was lacking beyond the receipt of payment.

So, a lot of focus on building those additional added value services, having more deeper and wider networks of ways to actually use digital payments. When we would do our demand _____, we'd ask them yes, we like the security, we like that we get it immediately, we like – there are lots of things we like about it, but the cash wasn't there when I went the next day to the agent and I don't really know if I can trust it. And when I asked him a question about it, he sent me to this other person. Those are all – there's a lot that we need to know. There's a lot that we already do know about tweaks we can make to do digital finance better.

Yeah, so there's actually a paper that came out a year or so ago called *Doing Digital Finance Right*. But disclosure, I worked on that. But its [inaudible] third author, so it's not, you know, just a little bit. But it actually has some – it's based on supply and demand side research and highlights some

solutions that we've found that providers are using to try to boost trust and provide extra value.

Fernando Maldonado:

And if I could add just one thing and piggyback on that, I think the whole purpose here is really to influence our programs and projects is frankly, we're the ones out in these areas and how do we use existing activities to sort of convert or digitize payment flows and bolster financial inclusion, whether it's an ag project or health. You know, we see it as sort of value add while we're doing what we typically do day-to-day.

Audience Member:

Hi there, I'm Tim Nourse from Making Cents International. Thank you for the presentations. I wanted to follow on some of the comments and maybe add a seed of the framework around consumer protection. So you know there's been a very – and we're all very positive and pro on digital inclusion, but there are risks as well. Clients getting into the system, not understanding how their information is going to be utilized to score them. So maybe can we talk more about what are some of the protections in what USAID's doing in that area to promote responsible digital finance as well?

Fernando Maldonado:

I mean, I can [audio blip] from Uganda and buying a MTN card and opening an account myself and the fact that my passport – I think they took three or four photos of and I had to fill out maybe four or five forms. So I think from our standpoint, I think it is certainly an issue and I think there's greater concern with the absence of having any sort of form of managing money and savings. But I do think it's a good point and I think it's something worth considering. I think often times our thought is sort of to leverage the existing services that are there and I think as Jamie mentioned in her presentation, you know, how do we work with much more closer with regulators and directly with the governments, which is another area where we're poised as a large bilateral donor to do. I don't know if you want to add.

Jamie Zimmerman:

Yeah, thanks, Tim. Yeah, so consumer protection is really critical. When I went through the priority accelerators of the enabling environment, one of them was consumer readiness and the way that we break that down is consumer protection and also consumer capability as, you know the foundation for building trust and confidence in the system, so without the right protections in place and knowing where to go when things go wrong

and knowing whether this is a good act or a good product, if all of those things, then I think you create vulnerabilities that would run the risk of introducing those who have not had exposure to these types of products and services to ones that are risky, channels that are risky, providers that are risky. And then what we have as a result is someone introduced a financial inclusion in a way that was – that makes them either distrustful or weary or not want to engage further.

And when we're talking about some of the most – and things like digitizing government payments and humanitarian aid and the most vulnerable among us, that, to me, is a really big concern. Because we – if we're taking a bulk payments thing, kind of pushing it onto a very vulnerable population and if we don't do that really well with the people who are supposed to be our – need to be and are supposed to be highly protected, then we're doing a disservice by pushing forward on that. So really getting the foundations right is the – I don't think we should do any of the Cs if it's not towards getting the foundations right and consumer protection is one of those foundations.

Marcella Willis:

I would just add, because I think there are a lot of implementing partners, I'm anticipating on the line and in the room and I think that there is a really important role for implementing partners who are digitizing their payments to program recipients, to program participants, to humanitarian assistance cash transfers, and that training component, because as Jamie mentioned, the readiness is about protection and capability. I think that the NGO or the development organization has a really great opportunity to really focus on that capability side. So that the new users of mobile money, for example, have a better understanding of what their rights are in terms of trying to protect themselves against fraud, understanding what the fee structures are, for example, what the recourse mechanisms might be, to really – so because I think NGOs have a really special relationship with vulnerable populations in that people trust them.

They often have long-term commitments in those communities, long-term relationship. People really trust organizations. So there's this real opportunity I think to do a lot of that training and that capability readiness. I see a lot of organizations doing it in partnership with a service provider, which is fantastic, but I think there can be refresher training. There can be a lot

more in terms of maybe making sure that people are aware of those risks that might be involved that you're talking about and what their recourse is. So I really want to say take that as a call to action to really focus on that.

Moderator:

Great, let's take another online question. This one is from Don Humpal. He asks on cash shortages and failures in cash outs, are any providers using or developing cash demand forecasting? For example, for seasonal peaks around crop marketing, for school fees, et cetera.

Fernando Maldonado:

[Audio blip] I think there are a number of different business models that exist that are out there that try to mitigate this type of issue. I mean, obviously liquidity issues are one of the biggest challenges that we confront and I would say just about any market that we've worked in and so for example, there are models whereby you have sort of a hub and spoke and a super-agent network that's able to sort of mitigate and understand the different flow levels and cash disbursements. I mean, there's some that are better than others.

I think this question is good in that I would say this is sort of the next frontier, especially in the context of agriculture value chains, where there is seasonality and there are times where there's, cash flow isn't quite there. I know again, not to harp so much on Uganda, but part of the initiative there, working with the UNCDF is really studying sort of the flows in these different communities such that we're able to kind of support robust agent network that's able to kind of address those issues. But no, I mean, anything specific, I mean, that's sort of the extent. And I don't know if you have –

Marcella Willis:

I can't speak for service providers in terms of what tools and systems they have in place for doing the demand – the forecasting for demand for cash liquidity. But I will say in a lot of the work we've done with NGOs and service providers to do bulk payments and bulk disbursements, I think a lot of service providers also recognize how challenging it is, because it's one thing to do a salary disbursement often for a business where many of their recipients are in urban areas where there are lots of agents and they can top up and cash liquidity is not such an issue and I think they're pretty good at managing that liquidity and doing the demand forecasting for something like that.

When it comes to NGOs, though, we've heard from service providers that they find it's much more unpredictable. It doesn't necessarily fall at the end of the month. It's unpredictable in terms of those payment disbursements. It happens in rural areas where it's much more challenging to manage liquidity. It happens with people who are also less familiar with actually managing to receive their payments. There are a lot more challenges and we found that service providers like mobile network operators are sometimes reluctant to do these kinds of payments, because they recognize it's much more complex.

And I think the forecasting models for liquidity have to be adjusted because it's not just a regular monthly salary payment or maybe with social cash transfers where it happens regularly at the same time every month. But it requires much more variance. So I know NGO spent a lot of time working together with the service providers to do a lot of that forecasting together with them and the planning for those liquidity needs. So I don't know exactly what tools they have. But I can say it's for different payment streams, it's something that I think development organizations actually help a lot to do that.

Moderator:

Great, let's see if we have another question in the room or any insights to add.

Audience Member:

Thank you, Victoria Rau from Enclude and I was just wondering if you had seen any particularly impressive models for – on the capability side? You know, you mentioned NGO-led capability training. There's also provider-led, either at the financial institution or the mobile provider level. And so I was just wondering the different tools that you'd seen used or any particularly successful models for capability training.

Marcella Willis:

Well, I actually find that we look a lot for different training modules and training programs for specifically around this. I know Microfinance Opportunities has done a lot of work in terms of financial education and capability training. They have some modules. It's something that I find organizations, they create their own and don't necessarily share it widely. I believe ELAN is trying to put together a catalog of tools that different organizations use. ELAN is the Electronic Cash Transfer Learning Action Network. They are trying to put together a catalog of different tools and

things that organizations use. I believe this might be included in there. But it is, I think, a gap in terms of having a place where you can go and easily find these kinds of tools that you can adapt to your particular market and your community to do that kind of training.

Jamie Zimmerman:

To add to that, I mean, one of the challenges that I've seen in some of the digit – pushes to digitize payment streams in terms of capabilities is a lack of agreement or awareness on roles and responsibilities for who is to do the capability training. So a lot of times, an NGO or a government will contract with a payment service provider to have payments delivered digitally and then when it gets to the point of enrollment and teaching them about what it means to use this and how it connects with your social payment or humanitarian payment or whatever it might be.

The lines are very blurred about what part of that is on the service provider, who's teaching you about how to use a product or service that they provide versus the broader program where you might have different types of rights and responsibilities and things that you need to understand. And one thing I think has been really cool recently is an uptick in behavioral design and UI/UX interface and user experience, types of designs that are happening within the providers that we're often seeing as the major players in the digital payments world.

So they are paying more attention to what it actually means to build an interface that works for vulnerable populations or poor populations, populations that might not know how to navigate a smart phone screen or multiple different types of tabs and interfaces that they would have to use. That stuff is really interesting. That's not answering your question on capability training, but I think that it speaks to an increased awareness that just providing the product and just having it there is not sufficient and that we need to have more clarity about how to do that better.

Fernando Maldonado:

Yeah, I would say so much of this, as we've discussed over and over, it's behavioral and it's trust, right, and so I agree with Marcella that I think there is a big gap here and I can't think of any sort of direct training beyond sort of the word IDO has done in others. But the one thing I will say is kind of being very conscientious with the type of network you utilize. I mean, youth mentor programs, there are ag extension agents and these are

folks who have been around a long time who have built trust with the communities.

So I think we've seen some level of success with really sort of embracing these types of positive deviance models in the community who are very familiar. I think there was a small initiative in Sierra Leon working with chiefs of various villages and getting them onboarded and sort of understanding. And then they sort of served as the salesmen, if you will, in the village and the one providing the capabilities training. But yeah, I agree, I think more can be done.

Audience Member: Just really quick, what are the examples that you have?

AV Tech: Can you hold on one second? [*Crosstalk*].

Audience Member: Sorry, what are the examples that you were thinking of when you think about the providers that are really going with a human-centric approach, a behavioral insights approach to develop user experiences that are actually informed from, you know kind of the population that will be using this? Can you think of any examples off the top of your head that you said are, like, really great?

Jamie Zimmerman: Yeah, I mean, I would direct to you, if you want some more extensive information on that to look at the work happening at CGAP. There's some recent papers and blog posts and even toolkits that are being developed on UIUX. There are examples of lots of them. One of the – one recent one that I thought was really interesting was with Karandaaz in Pakistan and really doing some very intensive UIUX work where they went and that is one – a financial service provider there that's connected to the delivery of their social safety net benefits, which reaches millions and millions of people in the country. It's one of the bigger social safety net programs globally. I could talk to you offline about what some of those would look like, but I would definitely point you to some of the recent work that's coming out of CGAP. There's some really interesting examples there and they highlight the financial institutions that have been involved in those.

Marcella Willis: Just quickly on that, about, I don't know, less than a year ago, they did do a challenge grant with service providers I think in five different counties to do

a human-centered design product development. And in fact, Econet in Zimbabwe was one of them that worked together with them through that process and they ended up developing a school fee payment product that enabled people to save up to the school fee term and make their payments directly. So that is online on their site at some point. You can have a look at that.

Moderator:

Sorry, we're just at about time and I do want to wrap this up so our online participants can check off. But I do want to encourage everyone here in the room to stick around, help yourself to the breakfast and continue to network and talk to our presenters. But I also want to thank our online participants and let them know that we're going to keep the webinar room over for another 5 to 10 minutes if you want to ask any last-minute questions. And we'll be sure to follow up with resources and perhaps a blog post. So thank you everyone for joining us today and we'll call this a wrap.

[End of Audio]