



Putting Clients at the Center: Designing and Delivering Effective Financial Services

Q&A Transcript

September 27, 2012

Presenters:

**Guy Stuart
Independent Consultant**

**María Jaramillo
Microfinance Opportunities**

**Monique Cohen
Microfinance Opportunities**

Sponsor

United States Agency for International Development

Female: I'm Monique, and I'm going to try and pull together some of – I've got a microphone.

Male: No, don't press that. They told us not to. Don't push the button.

Female: Is that better?

Male: Yes.

Female: So I'm going to try and pull together and place – pull together some of what you heard and place it in a larger context of what I think is discourse that's currently going on around clients at the center, and particularly the role of financial education. I want to acknowledge – thank you, _____, for that lovely content about being a geographer. I am one. So I always like to hear that since it's rare that people notice geographers. And I'd like to acknowledge Jennifer Subset who is somewhere around online who was really with me when we conceived both the ideas around financial education, and particularly about the branch's banking project.

And for – give you a perspective on how long it takes to go from the beginning to the end, we started eight years ago with a paper on trying to figure out what are the constraints to uptake and usage of branchless banking. So it's taken us – it takes a long time when you're way out in front, and we started when nobody was really talking about this. So how does it make a difference? So what you've heard a lot about is the link between the clients and capabilities and operations of capabilities and products and products and capabilities.

And operations. And it was interesting. I was on a panel last week with somebody from CGAP and explaining the low rate of usage. Her comment was, "The reasons why it's not happening is service providers are more interested and more structured for efficiency and profit, not for innovation." And the big issue here is that when you start to deal with the low-income market, you have to begin to innovate with your products. We've seen this problem in micro insurance. We've actually seen it in micro credit. This is a recurrent problem

that people assume that if you design a product that you think, you the designer, think is desirable, everybody will come.

And I think that to some extent, branchless banking has kind of fallen a little bit into that. One of the things that I think is very interesting about Maria's work is that when you hear the word financial education, you think training, budgeting, savings, and debt management. So on the first thing, what we've learned is that if you – and when you hear about it in financial inclusion terms, it is framed around the idea that everybody is going to get into banking, and it's financial education to get people into banking. And what I think we've learned is that from this work is that if that is your ultimate goal, you have to break this training down.

It's not a one-off phenomenon. It's an incremental phenomenon. When beginning with do people save, and if they don't, how should they save, exposed, _____. Then you have to think about where they put the money, and then you have to think about training them about as Maria has been doing about the value, the client value, of electronic banking. And until you do that, it doesn't matter what you do on the supplies side. You have to bring this part of the equation into operations and learn. So it is not – I think this is one of the first studies I've seen that's really been able to pull apart what it is that's involved with going from introducing savings to getting people to save in a bank. It is an incremental staged process.

The second thing that I think we have learned about – we're learning about branchless banking, financial education is about personal financial management, and nobody until very recently, people haven't really thought about the broader role of financial education and consumer education and how to change how people manage their money. We get from the work that Guy has been doing, the financial behavior, and we can infer how people manage money. We get from the financial education things that we can do to change those patterns.

But we haven't really focused on is this a tool for money management. Ignacio Mas, who you may have heard of, has been making – advocating that people put money in their cell phone banking account and that then they take out an amount, usually what's leftover, exposed, and send it to themselves. Me to me.

And that becomes the savings account or purposeful savings. Guy and I have been thinking a little bit different, more exanti, is how do you – money comes in, and good savings principles, you put it aside at the beginning into sub wallets, each demarcated for a different purpose.

And so that the money is there before temptation steps in or there's a risk or a shock. And I think that this is an important issue because this money management question because again, it goes to the heart of how people are going to use, how clients are going to use the institution, and is it structured with products and operations to deliver that product. Maria has pointed out something that's really pretty straightforward. Financial education is more than the trinity of debt savings and budgeting. You've noticed here it is building trust. It is getting institutions to recognize the value of financial education in a way that will improve their operations.

Lastly, I think I want to add one more point, and I think let me just say to that, the other thing everybody asks is financial education sustainable. I get that like every week. And I think this combination that we've heard here tells you about how you can move towards sustainability by embedding the financial education in a very different way with these starter kits, with flip charts, with SMS, with movies in a way that will help improve levels of transactions for the microfinance. Let me end with one more point. I'm done. Don't worry.

I was at the Clinton Global Initiative this week, earlier this week, and I heard somebody, Annie Duflo from IBA was asked a question on financial literacy. And I was intrigued at the answer. The answer was given in terms of where we've done all these studies and it hasn't really proven that financial literacy makes a difference, and I'm sitting there kind of chomping at the bit thinking, "Little does she know," and it's been a solid refrain from the random Easters, and it concerns me because they're loud and they can be heard, and I'm fearful that they're being heard a little too much on this issue because fundamentally, they're not addressing any of the questions that either Guy or Maria have addressed.

They don't talk about the input side. They never describe. They think of financial education as only trading when it's comics, when it's radio, when it's

starter guides. They don't look at the quality of what's being delivered, at least not to my knowledge. That was never mentioned, the relevance, the frequency. And yet, we've done work that shows it does make a difference, but because it's not RCT, it doesn't get recognized by them. So my plea to you is to think very carefully about this issue because as you can see, the way we're looking at it is very different, and we're looking at clients at the center and how all these three factor into it. Thank you.

Female:

Thank you all for a very insightful presentation. For folks in the room, we're going to move to Q&A. If you can please wait until I pass you the microphone, and speak into the microphone, and state your name and organization. We have about 60 folks online from Morocco, India, Philippines, DC, so it's great to have such a worldwide audience participation. Keep on submitting your questions into the chat box if you haven't already. And let's take it in groups of three or so we can get more questions. Do you want to start with any on the webinar?

Female:

We have a very interactive audience online. We also have Julie Lee and Jennifer Subset who has been taking a lot of questions online, too, and helping us out with that. I'll give you two quick questions here from online. One is from Terrence Isert or Isert [*pronounces differently*], sorry if I say that. He says he's from Pro Micro Consulting in Minneapolis. He says I'm curious as to how you from the perspective of branchless banking provider and MFI, how do you ensure client protection from typical market risks of money laundering, fraud, identity theft, et cetera. Does the client education provide details on these security features to clients both existing and potential?

Roland Pearson has a comment. He's financial and private sector development consultant based in DC with long experience in financial inclusion in Africa. He states speaking of clusters, Thin Mark Trust, working mainly in Southern Africa, has developed various segmentation models to look at clients in ways that are more useful and telling than the typical gender, age, location, et cetera. Segmentations. That spurred a lot of discussion online.

And then one more, and then I'll let the room do it. Richard Myer, who is based in Wisconsin right now, states that after hearing this presentation in Turin, a

student in my class asked what he could learn from this because his organization does not have the big bucks to pay foreigners to come in for this intensive data collection and analysis.

Female:

Let me answer the first one. Yes, in the financial education toolkit, we talk about fraud is a big issue for branchless banking. We met with the team from Equity Bank who is working in Tanzania a couple weeks ago, and they showed me an SMS that a client – that they received that said I sent you by mistake Impasa money. Can you send it back to me? Or you have received extra money from somebody, your new balance is this. And the SMS message look very real and very legitimate, and at the end, it said Impasa. So clients without the right knowledge or information would believe it and maybe send back the money to whoever sent it.

So one of the – and in the Philippines, it was happening the same. So one of the things we mentioned in the starter kit is only trust an SMS that comes from 2882. That's the number from Globe. If you get it from anybody else, don't believe it. It has to be legitimate only when it comes from 2882. In terms of identity theft, we try to emphasize what a PIN is and not to share it with anybody. We've seen clients that put the – they write the PIN in a paper, and they tape it to the back of their cell phone.

So we try to create awareness of the risks you go through if you don't manage well your money. We also give clients the skills to troubleshoot, meaning I send remittances, I haven't gotten an SMS, or in the middle of the remittance is the signal went down. How do I know if it was successful or if I lost my money? So we provide information and skill so that clients know what to do if they face problems and how to troubleshoot effectively.

Male:

I'll just address the third one about big bucks for analysis and work. I think that Thin Mark Trust comment goes – is great. More segmentation based on behavior, the better. If you can do transaction based data gathering so you can really look at behavior over time, that gives you really fine-grained segmentation. In terms of the big bucks for analysis, yeah, it's expensive. And you know, it's something that we all struggle with, those of us who work in development and want to add value. What we're trying to do and what MFO

has done on the financial education side is try to build up a network of associates across the globe who can deliver some of this training and some of this work locally at local prices rather than Washington prices.

In terms of the research side of things, we are not there yet, but I – we want to do the same with diaries and the same with transactions analysis of MIS. As I said, the MIS work, you can get a lot of bang for your buck with a fairly short query statement in whatever database language you're using, and that knowledge transfer can happen fairly quickly. We're also looking at making the diary's data entry system available to anyone who wants to use it as well as the training materials for the diaries. And the manual data sheets if you can't do field based data entry.

So in my mind, I'm in the business of giving away as much knowledge as possible. That's what we should be doing. And continuing to innovate practices that can help.

Female: I would like to add one thing. This is not cheap. That's correct. But I also think you need to focus on why you're doing the diaries. A lot of the diaries work that is being done right now purely as a descriptive tool to explain just what's going on, how people – we have chosen a more operational tool, how to improve the product line, how to change operations, and the costing of this thing will need to be measured in terms of improved return to the institution. I think that you need to take care to think about that difference because so much of what's been done is descriptive.

Female: Let's take some questions from the room.

Female: Hi, thank you very much. Do you ever address the attitude people have around money and savings and transactions?

Female: My question is actually a direct follow on to what you all were just talking about, and that is with respect to the changes in the MFIs and the organizational change that would be required to achieve this kind of further out. If they're

investing in MIS, if they're investing in the person, power, the knowledge, the systems, the business processes behind implementing this kind of thing. I get that there's a financial return, but I'm just wondering if you could expand a little bit more in terms of are you seeing MFIs pick up, take up this type of approach, have you looked at at least begun to think about research to explore what does that take in terms of the organizational change required because there's a whole systems change behind that to really put it in place.

Female: Good morning. My name is Meredith Leebug, and I'm a current MBA candidate GW. And I was wondering, this is kind of furthering on the big bucks question, but if you are looking at a very small organization in a developing country, how would you begin to implement a financial literacy plan? What would be those first very simple initial steps you could take towards that?

Male: Do you want to talk about attitudes, and then I can talk about attitudes? I'll back you up?

Female: Yeah, sounds good. I think what was interesting as part of the Philippines pilot, we sent SMS's to people just to encourage them to save, saving is important, every dollar counts, save little by little. The feedback we got from clients that were interviewed was that it had helped them become more aware of how they were managing money. So one client said, "I always was getting the latest cell phone, and I realized maybe I'm spending too much money getting cell phones. I'll put the money aside for something else."

Or, "I've taught my kids now to put all the small change in a little piggy bank at home, and I'll open an account for my kids at the bank." So we do try to address attitudes that it doesn't matter how much. If you can just begin saving even if it's little. As long as you just begin. And look at how you're spending and try to see what's a necessary expenditure, what's needed, and set up a savings plan and a savings goal.

So it is very much at the core. You know, we talk about knowledge skills, but attitudes play a very important role.

Male:

So I'm actually going – I'll talk about the attitudes question and the organization change question together, and the reason I'll do that is because this framework we've developed is – so in a perfect world, and this is a project we're doing right now. I'm afraid I cannot divulge who we're doing it for because it's a private contract with them. But we have started with management information systems data. We've analyzed the behavior. We've identified some key findings. We've clustered the client base by behavior.

My colleague, Craig Tower, who is an anthropologist, has been in the country and trained the people on staff to do in-depth interviews that follow a script that we've developed with feedback from them that gets at understanding the behavior that's evidenced in the MIS data. And so that's how we're trying to get our attitudes. And then throughout this process, we've had the support of senior management. It goes in and out. When we arrive first time, they're all over us, and then after a while, you know, you have to work out who your contact person is because everyone is busy.

But it does require organizational change. What we're seeing is that there's a hunger within middle management for this work, and senior management are on board because the senior management signed off on it, but the question is that once we leave the picture, will middle management and senior management continue the conversation without us. We are an early – this is – for us, I know that in sort of the middle class market, lots of consultants are doing this all the time. I think in the low-income market, maybe this is a little bit newer. So we're early days yet.

But very cognizant of that question. So the strategic question going forward is how do you embed the change. And trying to think of easy wins as a first step to create some momentum about that change. So for example, if we have a lot of people who have accounts but are not using them and we can use the MIS data to sort of identify, sort of flag when people – after they've opened an account, when they're not – clearly not using the account and flag them for follow up, and then have a follow up process.

Sort of that very simple process that gives branch managers the power to follow up so that they can actually connect with their savers. Sort of simple things like that may be able to begin the process of change. Trying to do a big organizational change thing is not going to happen.

Female:

I wanted to mention one of the things we were trying to do with MFI's, we're working with Michael Lee Bailey in Ecuador with Banco Solidario and also with Red Kamif in Central America is we're trying to find out key touch points with clients where you can embed consumer education. So before, it would be training four hours on a Saturday, and now we're thinking can we add financial education to the orientation meeting, to the disbursement meetings, to the regular visits the loan officers do.

And what we're finding is we need to find a win/win situation. You know, loan officers are no trainers. They will deliver information to the customer whenever it makes their life easier, and whenever it makes their job better. So loan officers didn't know how to explain new insurance products the bank was offering. All they knew was it was making their loan product more expensive than the competition, and they were trying to hide it. So instead, we train them on what is insurance, risk management, why these insurance products were benefitting clients, and how to talk to their clients about it.

And so that training was helping loan officers explain better to the client the product. They were not training them about risk management, insurance, but they were explaining better the product and why it benefitted them. And this bank, this microfinance bank is now developing consumer education for over in _____. So as long as the consumer education hits their bottom line, meaning it's going to improve my portfolio, my sale of products, and we're also working on credit cards, you know, there's a lot of misunderstandings or mismanagement of credit cards in low-income segments, and the education can be a win/win for the institution and the client.

Female:

I would like to add a little point that I think is really important after all these years. I think a lot of people go in and do research and do work and leave, and then go in and present the results. I think that – and having been on the other side in AID, I'm fully aware a lot of what this is. I think – and it's a hard thing as

a project officer to do, but I think you need to do it. I think that you need to insist that a dialogue develops between the researcher and the institution right from the beginning.

So when we talk about partnerships, most people are talking about this one guy over here that I talk to, and I come in, and I report to him. You need to create a forum as often as possible so that everybody is involved in the evolution of the results. Ultimately, the decision about what to change will never be the outside consultants. It will always be the institutions. And so if you come in at the end, present the data, all very interesting, they can say, "Oh, yeah, yay or nay." But if you want to build up buy in, not more than buy in, partnership, which leads in the right direction.

So I'm making this comment because I used to work in the offices of microenterprise and AID. We have a lot of academics who come in and do research, and they do really good stuff, but they're not engaged in operations. And it is the ability to link and integrate the findings into operations on both sides so you're talking on a common level. That is, I think, the secret to making it work.

Female:

And just to answer your question, you can start by asking why the institution wants to do consumer education. Do they want to do it because they want to increase their money management skills of their clients? They want to offer a new product in the market, they're interested in financial inclusion. And then you need to look at the client and understand what content do they need and how best the client prefers to learn. Then you need to look at who will deliver that training and the skills of those trainers or actors that will deliver it.

And what we're adding, this element, is your key touch points. When are these key moments where the trainer or the loan officer can deliver information to clients and adapt the content and tools to that reality? And bring principles about that learning. You know, adults learn by through interaction, by asking questions, by putting in practice what you've learned. Don't just do a radio program and walk out but reinforce it with SMS's or with a customer booklet. Put an integrated strategy into what you're doing.

Female: I hear there's lively chat going on in the webinar, so let's take another round of questions.

Female: I could give you a whole lot. They're very – they're talking back and forth. It's really wonderful to see it. I will give you three. Barbara Magnoni, the president of EA Consultants, and again, I apologize for messing up any pronunciations. Her question is when implementing financial education information like this in this program, like in this program, how can you prevent a commercial actor from misleading clients and making processes seem safer and more efficient than they are? Who should regulate or pay for this service to ensure client protection?

Mike Chiyawa from Opportunity Bank of Malawi. He asks how best can we make this presentation into practical – into a – I'm trying to make a sentence here. Into practical, like here in Southern Africa, depending on the customer we're dealing with. Most of them are not educated, and how best can we have this more frequently?

And then one more from Kantanbira Michael, microfinance program manager at Catholic Relief Services in Uganda. He asks if the presenters agree with this following approach. Two things have to happen to have an effective financial education for clients. It needs to move along with an effective code of conduct and consumer protection programs that are best enforced by governments in developing countries.

Female: I think if I can tackle the first one. We are ourselves asking the question when is it marketing, when it is consumer education. Can we combine the two? Is it okay to combine the two? Our approach focuses on equipping the client with the information they need to make an informed decision, and I think that's the principle, that you inform, that you're transparent, that you show processes the way they are, and the client will decide if it makes sense for them or not. I think there is the risk that information, like education, can be manipulated, but you just have to equip clients with the knowledge they need, and they need to make decisions.

Male:

I'm going to put this in a broader perspective. Essentially, there are two business models in financial services. One is a sort of It's a Wonderful Life model for those Americans in the audience where essentially, it's about sustaining your client base over a long period. You grow with your clients. Your clients' lives improve, and their service use changes and increases, and you make money over a long time by serving a client well and having them grow. That's one model of financial service provision. The other model is you engage a client and you strip them of all their assets as quickly as possible. And that is a model that has evolved over the last 20 years or so, especially in the United States, but also is a model that is used elsewhere. Okay?

And you make a lot of money with that second model, and you can make a lot of money with the first model. It's just longer-term money. And so there is a role for regulators to try to prevent the asset stripping. The problem is whether your regulatory infrastructure capability is good enough to enforce the laws. There's also a role for advocates, consumer advocates at the grass roots level who push back against predatory practices. And those are important activities. What we're bringing to the table, and it's a limited – it's part of the effort, is that we're trying to inculcate the first business model, the business model of growing new clients.

If your clients succeed, you succeed into the financial service provision for low-income people. And by focusing on the client and how serving the client effectively can help not only improve the client but also improve your own bottom line, that's our value proposition, and so we ultimately cannot guarantee that, but that's the business we're in, and then we need support from regulators and advocates to keep the financial institutions honest as well.

Female:

I think to answer the question of customers are not educated, we are trying to use a lot of visuals and illustrations and images of, for example, in Zambia, we're using Mama Quatcha. She's an experience micro-entrepreneur, and she gives you advice on money management. Or – and we struggled with putting the tools in the local language in ____, and when they were printed and tested, people couldn't read it because it's a verbal language. It's not written. So we had to go back and print them in English. So it is a challenge.

It is a challenge how you reach uneducated populations in their local languages.

Female:

Let's go to the question about consumer protection because I think it's a really big issue, and I'm finding a lot of resistance, and I think that's really a big issue. So how many of you know about the Smart campaign? So it's really terrific, and it's a good effort, but it's self-regulatory. And the questions of consumer protection within the context of the smart campaign is – and I pose this as a question, is it a conflict of interest to really encourage your clients' rights where they might not go on your side? You know, there's a conflict between what you want them to do, but there's a conflict of interest between the two parties. Let's put it that way.

So it's really difficult to figure out how to deliver consumer protection information to clients, one, and how should clients be organized to do work to have their voice heard. And I'd like to mention the work we've done with Consumers International where we developed a personal counseling program for them, and they are a consumer interest group that is using this to raise the question of consumers' rights and consumer protection in the context of financial services.

And I just got a proposal from them for further participation in going global. We did this in Tanzania and Kenya. And for those who want to see it, go to our website.

Female:

Thank you. I think we do need to wrap it up for today, but if we didn't get to your questions, please go ahead and go to the event page. Under the comments section, you can submit your question there, and we can work with the presenters to get those answered. All right?

Female:

Hi, my name is Lane Pollack. I work with Jeff in USAID's microenterprise – private enterprise office. It's a new name, so that's why I'm practicing it. On behalf of our office and of USAID more generally, I would like to thank Maria, Guy, and Monique for your being here today for the preparation it requires to come and present and share your learning with us. So thank you very much.

I'm also going to take just one minute to do a little bit of a public service announcement for everyone.

The After Hours seminar, just as a point of context, this seminar has been going on for about seven years. It's incredible. It started in 2005. I count myself as one of the many longtime fans. I think I might have been on one of the original telephone conference calls when we decided – they decided to make it, you know, reach outside the room. So I want to thank everyone here for your participation, for your engagement. I especially want to thank the folks online for their participation and engagement, and I want to recognize that originally, the seminar series was launched under the AMAP project. Now it's managed under the KDMD project, and I want to recognize the folks in the room, Dar and Adrian and Joy and Anina and other folks that put a lot of work into making these seminars happen.

This is our 63rd seminar for the After Hours series, which is incredible to recognize. And over its lifetime, it has brought us all the opportunity to share, to learn together, to be in the room together or virtually be in the room together. We have explored issues around micro financing, including transparency, evaluation, financial inclusion, which as you heard today, is still out there being defined, social performance, mobile financial solutions, remittances, consumer advocacy, et cetera, so many topics, and I want to remind everyone that at least for the last while, I don't know the stats, but we've been capturing, recording, and sharing out the seminars, the content of the seminars online.

So you can always go and access it on Microlinks, our website. The Microenterprise Development Team's website, also managed by KDMD. You may also be aware that there's a parallel seminar, the breakfast seminar, which is focused on engaging small enterprises and small holders in value chains to increase competitiveness. Both of these together have, we believe, and I again say this as a longtime fan also, enrich the industry, brought practitioners, researchers, USAID, and other donors together to learn collaboratively, which is I think a point that Monique made towards the end there, which is really important.

Not just to put the research out there, but to be in the room together, to learn from it. We believe it's been successful because of the quality of the presenters or the quality of the folks that help to put the seminars together, and again, because of participation from all of you, wherever you may be. And I would like to flag for everyone that as we look ahead and as microfinance, microenterprise and these fields within which we continue to evolve, our seminars are getting ready to evolve. So this is the PSA part, that looking ahead, starting in November, we're going to be reshaping the seminars.

And rather than having two parallel series, we're going to join these together into an integrated set of seminars which will explore inclusive market development, which is where our office is thinking, or I think the field in general is going to think about how what we have traditionally talked about as enterprise development and financial services should/are/might be/could be integrated into one to better serve our clients and the beneficiaries of our projects.

So this is a marker. Please watch your e-mail. Please check out the website. We'll re-launch again in November with details around location, timing, all that kind of thing. But we hope that you'll continue to join us and continue to ensure that these are the best quality seminars that we can possibly do. That depends upon you showing up. So thank you, and thank you again to our panelists. And everyone from KDMD for your work today. Bye.

[End of Audio]