

Standards for Responsible Digital Financial Services Working Group Meeting: Reaching the Hardest to Reach; Outcomes

20 July 2022

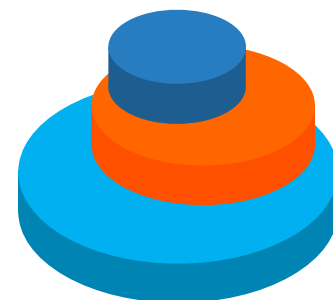
AGENDA

10:00 to 10:05 **INTRODUCTION AND UPDATES**

10:05 to 10:35 **REACHING THE HARDEST TO REACH:** reasons, solutions

10:35 to 10:55 **OUTCOMES:** data to track, analysis to conduct

10:55 to 11:00 **NEXT STEPS** and conclusion



Standards for Responsible Digital Financial Services:

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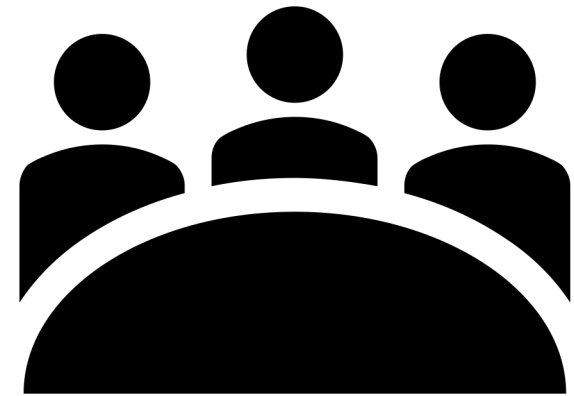


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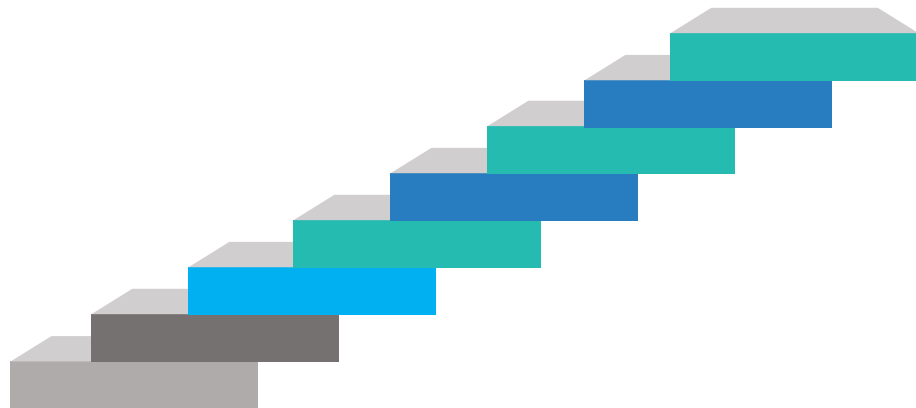
Our discussions today will benefit from expert commenters!

- MSC
 - Elizabeth Berthe, Partner
- 60 Decibels
 - Devin Olmack, Senior Associate



Updates

- Meeting minutes, recording, and notes are posted to the DFS Working Group page
- SPTF updated the Responsible DFS Standards document sections on complaints mechanism and fair and respectful treatment
- SPTF annual meeting in Paris, 28-29 September 2022, including a full-day DFS working group meeting on the 28th



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OUR WORK ON STANDARDS (1 of 2)

The Universal Standards for Social and Environmental Performance Management

A **complete guide** of best practices to help financial service providers (FSPs) put **clients and the environment at the center** of all decisions and **align** their policies and procedures with **responsible business practices**.



OUR WORK ON STANDARDS (2 of 2)

Standards for Responsible Digital Financial Services

Why?

- Clarifies what “good” practice means
- Enhances transparency
- Encourages good practices to grow
- Proposes concrete solutions to the risks we observe
- Enables stakeholders to distinguish between providers with a desire to create value for clients versus those focused solely on profits
- Facilitates partnerships with responsible providers

How?

- Review of existing resources: research, articles, blogs, codes of conduct
- Expert interviews: ~50 so far
- Harmonization with existing principles and standards: GSMA, BTCA, IFC, GOGLA, G20 High-Level Principles for Digital Financial Inclusion
- DFS Working Group: open to all, provides a forum to share information and debate

Reaching the hardest to reach

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- “Most algorithms are dumb – they just use credit score and payment history. Instead of making the algorithm unbiased, the focus should be on testing the algorithms for inclusive and exclusive criteria - have a control group and test it regularly.” – DFS expert A
- “There should be a separate category for training because without it the other stuff won't work. It is essential to train staff at the financial institution on product design, in order to have products that are customized to the clients. The clients also require training and orientation, things like how to use the channel, what are the different products, how to submit a complaint.” – DFS expert B
- “In this part of the world, as much as we'd want 100% of our customers to access through the new phone, the actual availability...can be an issue. It can be that the customer doesn't have the right type of phone to have the application running. It can be that your customers are keen to move on to the new product but they don't have the right type of resources or gadget.” – DFS expert C

Data from Women's World Banking

- **742 million women are still excluded from formal financial services**
- **Men and women have unequal access to technology**
 - The gender gap has widened for smartphone ownership; 315 million fewer women than men own a smartphone.
 - The mobile internet gender gap had been reducing, but progress stalled. Women are 16% less likely than men to use mobile internet, which translates to 264 million fewer women than men
- **A significant portion of unbanked women report they could not use a formal financial account self-sufficiently**
- **Inactive accounts remain an issue.** A quarter billion women who have an account say that they have not used it for the past year.
- **27% of adult women globally cannot read or write**
- **45% of women in lower-income countries lack the necessary identification to open account**
- **Difficult to travel to physical bank locations**

Reaching the hardest to reach and DFS: Obstacles raised during expert interviews

- **Obstacles within the FSP**

- Leadership is not knowledgeable about technology / DFS
- Few or no staff who understand technology well enough to implement it
- Insufficient funds to hire experts to do the work (e.g., test algorithm bias)
- Unstable internet connection

- **Obstacles at the client level**

- Lack of internet connection / unreliable connection
- Technology can lead to a digital divide, where those who have access to an electronic device and are both literate and numerate have easy access to DFS, but others do not.
- Women, along with the poor, are more likely to lack a form of personal identification
- Time poverty
- Mistrust

- **Obstacles due to third-party partners**

- Programmer (e.g., of an algorithm, of an app) often doesn't have a lot of client data so s/he is not informed enough to design a client-centric product

Possible solutions - general

- Increase nudges to drive account activation (W/WB)
- Build women's savings habits (W/WB)
- Test the algorithm regularly for who is included or excluded, comparing to a control group (EA Consulting)
- Educate clients every time they start using a new product or renew their loan. For example, at each disbursement, the staff person verifies that the client has the App on her phone and shows the client how to look up her information on the App. (FUSAI)
- Ask for clients' preferred channel of communication. For example, if the clients' preferred method of communication is through WhatsApp, consider offering educational videos through WhatsApp. (FUSAI)
- Make the cash-in/cash-out location accessible and culturally acceptable. It has to be physically close, but also the physical layout of the location has to be suitable for women. For example, in some cultures, they cannot stand shoulder-to-shoulder with men.
- **Build digital skills.** "These services require a level of literacy, numeracy, mobility and mobile phone access that women don't always have."
 - Peer-to-peer learning has proven particularly effective
 - Designate people to help women learn. Women who were previously unbanked need more help learning than an agent has time to give.

Possible solutions – specific to agents

- **“Agents are the preferred banking channel for most of the women** we work with, particularly when the agents are women.” –W/WB. Three key reasons:
 - Women agents overcome social barriers
 - Women agents improve access because they can provide service closer to home. For example, midwives are trusted and can go door to door and can be good agents.
 - Good relationship managers – patient, explain products and services, offer advice, softer methods of collection
- **Agents can build trust.** “Trust is formed in a variety of ways, whether it is an agent that speaks the same dialect, an agent who is a neighbor or family member, an agent that helps someone in a tricky situation, or the gender of the agent.” Also, bringing agents to a trusted place helps build trust.

Other Ideas on reaching the hardest to reach

- **Government cash transfers spurred financial inclusion** (FinDex data)
- **Accept that reaching the hardest to reach takes time.** The pandemic helped the clients embrace new technologies. Before the pandemic FUSAI had tried launching new products and channels but it didn't work – for example they tried to get the clients to use credit cards for 2 years and it never worked. Before the pandemic a client would NEVER visit the web site, use a credit card, or use an agent...During the pandemic, FUSAI launched an App and it is great for the clients because it gives them everything they need in the palm of their hand...Still out of 8,000 clients total only 2,000 clients use the App so far. The clients just don't have the habit of using technology, but they are learning.
- **This problem isn't as big as we might fear.** People adapt, and people live in communities where those who can't use DFS themselves can get help from family members or neighbors. One FSP in Africa said 65% of women in rural areas in the country are illiterate and don't know how to use a mobile phone, but they can all make it work by relying on family members to help with mobile transactions. (input from a DFS expert)
- **People in rural areas don't necessarily use agents in rural areas.** FUSAI is using agents besides the Tigo Money as well. Tigo is in all the tiny villages but what FUSAI has found from tracking clients' transactions is that most of the agent-based transactions take place in larger cities. The farmers always have to go to the city for something and that is when they take care of their banking as well.
- **Do “cautious” onboarding of agents** in order to have more successful agents.
- **The FSP needs to balance diverse client needs.** There's one set of clients that has trouble accessing digital channels, and the FSP might also have some very digitally savvy clients, and the FSP needs to balance this.

What is already in the Universal Standards for SEPM related to reaching the hard to reach? (1 of 2)

1.A.1.2	Indicator	The strategy identifies the benefits that the provider seeks to create for clients, such as: - providing access to the previously excluded - reducing vulnerability to shocks - building assets / Investing in economic opportunities - creating jobs
2.A.1.2	Indicator	At least one board member has direct work experience with the provider's target clients.
2.A.1.4	Indicator	The board includes members whose nationality/ethnicity is representative of the provider's target clients.
3.A.1.1	Indicator	Before introducing new products, services, or delivery channels, the provider conducts market research that includes gathering the following data about its target clients:
3.A.1.1.1	Detail	Analysis of market share, market saturation, and potential market
3.A.1.1.2	Detail	Client profile data, including gender, age, location (urban/rural), and poverty/income level
3.A.1.1.3	Detail	Data on clients' needs, goals, and any obstacles to using financial services
3.A.1.2	Indicator	The provider conducts pilot tests before introducing a new product or making significant changes to an existing product.
3.A.1.2.1	Detail	The provider pilot tests products among clients with different socioeconomic and demographic characteristics.
3.A.1.2.2	Detail	The provider collects feedback on pilot products from both employees and clients.

What is already in the Universal Standards for SEPM related to reaching the hard to reach? (2 of 2)

3.B.3.3	Indicator	The provider accepts alternative forms of collateral from clients whose gender or age creates barriers to access in the local context.
3.B.3.6.1	Detail	The provider analyzes data on product use: product uptake, claims ratio, renewal rate, and coverage ratio.
4.B.1.3	Indicator	Loan contracts are available in the major local languages.
4.B.1.4.3	Detail	The provider's communications are in simple and local language; oral information is used for less literate clients.
6.C.2.1	Indicator	The provider's use of profits in the previous year included at least one of the following investments: strengthening its social or environmental performance management practices, provision of non-financial services, lowering of prices, or local community investment.

Reaching the hardest to reach and DFS: ideas for management practice standards so far (1 of 2)

1. Offer financial education, including technology training, to customers so they learn how to use Smart devices
2. Train clients on digital in the client's native language
3. Make online platforms easy to use by all:
 - Design interfaces to be easily understood by customers
 - Use local language
 - Limit the amount of text per screen
 - Use icons of images that are familiar to the target population
4. Offer a combination of branches and digital platforms
5. Involve the board. Have “digital governance” (e.g., a Transformation Committee for digital transformation)
6. Offer more than one digital channel
7. Train staff on digital
8. Train agents, including on gender sensitization
9. Have results indicators to track success of DFS that include who is reached, what products they use, how frequently, and with what results



addresses
low technical
literacy and
time poverty

Reaching the hardest to reach and DFS: ideas for management practice standards so far (2 of 2)

- ◆ 10. Survey clients about digital use (from Dennisse: "MFI to always carry out a client satisfaction survey of clients who use digital payments. The MFI should check that its channels are working for the clients and having the intended effect.")
- 11. Survey clients about their preferences. Example findings:
 - Urban clients work 9-5 ; use the App because the branches are open only when they are at work
 - Farmers finish early enough in the fields to go to branches in the afternoon
 - Older clients tend to prefer the branch
 - Rural clients not comfortable with technology prefer the branch
 - Note: even some of those who have Smart Phones and use the App would like a different digital channel because Apps use phone memory. 60% of the clients in this MFI voted for WhatsApp and 30% for the App.
 - Indigenous people sometimes can't read in their own indigenous language and so they need *oral* instructions in their native language, but written information in Spanish.
- 12. Onboard agents slowly enough to assess effectiveness and stop onboarding if needed.
- 13. Supervise agents closely. [INB: W/WB recommends 30 agents to one supervisor.]

◆ = already exists in the Universal Standards for SEPM

Outcomes

- “Technology allows you to be in a constant cycle of iteration and learning to improve.” – DFS expert A
- “We have something we call an altruistic index. Informal advisors that are able to serve a person that has had a problem getting access to a loan before is four times more productive than an informal advisor that joins the network because they want to help themselves. Their productivity is directly related to their expectations about how many people they want to serve...We are thinking about how to help our agents to improve their success rate? What suite of products helps them serve the target client demographic?” – DFS expert B
- “Regarding outcomes, digital allows for hyper segmentation... You can’t talk to all clients all the time, but it will create business value for you to do it. Not once a year or once a month, but regularly at least with some.” – DFS expert C
- “If there was ever a time for outcomes, it’s now. Now we have data and the possibility to analyze it. This type of analysis is now affordable.” – DFS expert D

What is already in the Universal Standards for SEPM related to outcomes?

1.A.2	EP	The strategy defines indicators and targets to measure the provider's progress toward social goals.
1.A.2.1	Indicator	The provider has at least one measurable indicator for each social goal.
1.A.2.2	Indicator	The provider has at least one measurable output and/or outcome target for each social goal.
1.B	Standard	The provider collects, analyzes, and reports data that are specific to its social goals.
1.B.1	EP	The provider collects data on outcomes for clients and their households.
1.B.1.1	Indicator	The provider has protocols for social performance data collection that identify who collects the data, how, and when.
1.B.1.2	Indicator	The provider ensures the accuracy of the social performance data that it collects.
1.B.1.2.1	Detail	Employees in relevant positions receive specific training on social performance data collection and entry.
1.B.1.2.2	Detail	The provider validates client data by periodic internal audit or management review, including some field-level checks.
1.B.1.3	Indicator	The provider collects data on an ongoing basis to measure whether it is achieving its social goals.
1.B.1.3.1	Detail	The provider collects quantitative data that measures both positive and negative changes for clients and their households. Minimum frequency: annually
1.B.1.3.2	Detail	The provider collects qualitative data that measures both positive and negative changes for clients and their households. Minimum frequency: annually
1.B.2	EP	The provider analyzes outcomes data by client segment.
1.B.2.1	Indicator	The provider stores data on social performance in its management information system (MIS) in a way that allows for combined analysis of a client's financial and social data.
1.B.2.2	Indicator	The provider analyzes outcomes for different segments of clients according to their profile and financial behavior. Minimum frequency: annually
1.B.2.2.1	Detail	By client profile: gender; age; location (urban/rural); poverty/income level
1.B.2.2.2	Detail	By financial behavior: types of products or services used; tenure with the provider
1.B.2.2.3	Detail	Other segments that are relevant to the provider's social goals (please specify):

Other Ideas on outcomes

- Think about bundling your DFS channel with a solution to the problem the community member is having. For example:
 - a farmer may come to an agent to cash in and cash out, but also needs working capital – you can bundle the services to improve the option
 - If I'm in an area with unreliable grid energy, you can offer a solar home solution and I can use an agent, whether mobile money or banking agent, to pay for my solar solution
- You have to store outcomes data electronically, and in a way that allows for joint analysis of financial data and outcomes data

1.B.2.1	Indicator	The provider stores data on social performance in its management information system (MIS) in a way that allows for combined analysis of a client's financial and social data.
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- Consider not just the outcomes for your clients, but use data to understand who you are not serving

Outcomes and DFS: ideas for management practices so far

- ◆ 1. Collect data on which customers are using digital products and which are not, by customer segment
- 2. Verify accuracy of customer data via automated, digital checks.
- 3. Have annual discussion at the management level to review data and identify potential concerns related to digital products (e.g., low liquidity among agents).
- 4. Continue to track each customer's journey.
 - Tip: Use technology (e.g., call centers, SMS, IVR)
 - Tip: You can combine into one survey questions related to outcomes and questions related to digital literacy and digital demand of customers.
- 5. Track data on mobile phone usage, by gender. There is still a much lower use by women.
- 6. When building the strategic plan for DFS, identify simultaneously what is the business case for the FSP and what is the value that the customer will gain.
- 7. Identify which outcomes you need qualitative data to monitor and which you don't.
 - .Example: If your goal is to promote savings, you can see quantitatively whether customers are using a savings product. But you would do quantitative calls to understand why certain customers are dormant.
- ◆ 8. Use outcomes data to inform product design

◆ = already exists in the Universal Standards for SEPM

Hello.
We're 60 Decibels.





1st

The world's first microfinance
social performance report
grounded in customer voice

72

Microfinance organizations

41

We looked at 41 countries
across the globe

25m

Total clients served by the
microfinance institutions
included in this index

17,956

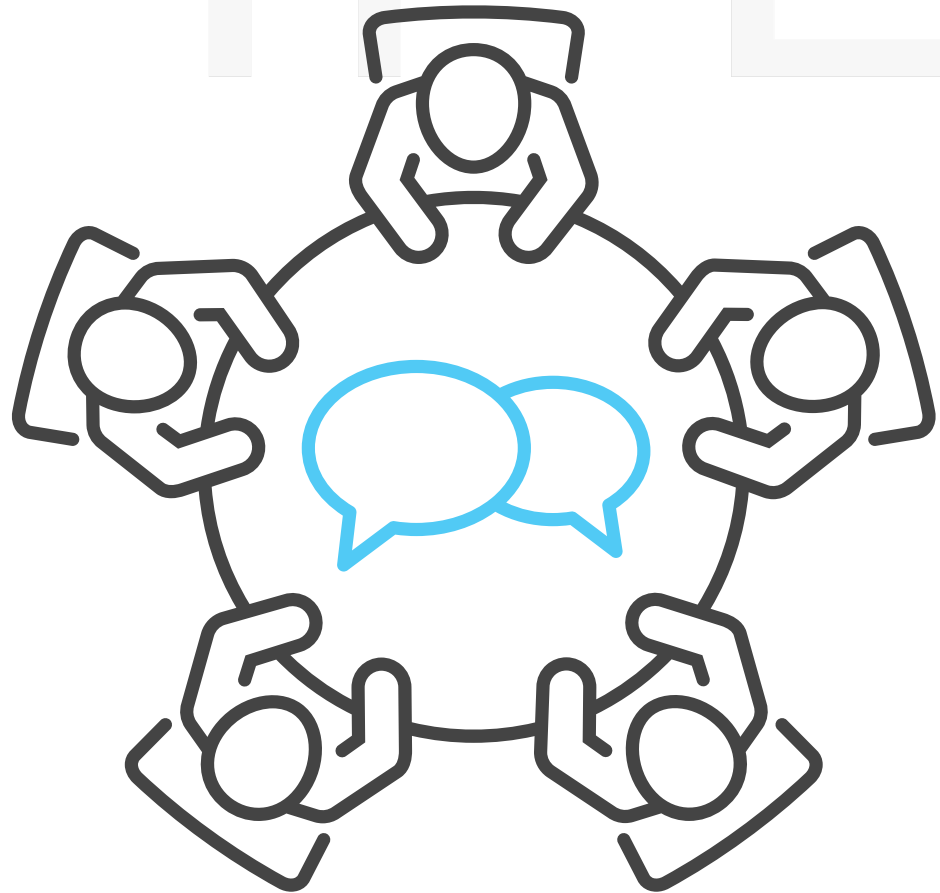
We heard from 17,956 MFI
clients around the world

Why is this important?

- > Quantitative & Qualitative Data
- > Benchmarks
- > Thresholds
- > Lean(er) Data

DISCUSS AND DEBATE

What do you think?



MARK YOUR CALENDARS

DFS Standards Working Group Meeting

September 28, 9 a.m. - 5:00 p.m. CET **in person!**

<https://sptf.info/training-center/annual-meeting-2022>

For further information, contact ameliagreenberg@sptfnetwork.org

Concluding Announcements

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New Universal Standards released in February 2022!

Download the newest standards:

<https://sptf.info/universal-standards-for-spm/universal-standards>



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Thank you!