

**Cerise+SPTF Annual Meeting 2022
Session Notes**

<u>Name of session</u>	Market-Level Customer Empowerment Approaches
<u>Date</u>	29 September 2022
<u>Time</u>	11:30 am – 1:00 pm
<u>Moderator</u>	Anton Simanowitz , SPTF Consultant on Customer Empowerment
<u>Speakers</u>	<p>Lalaine Joyas, Independent consultant working with MCPI (Philippines)</p> <p>Vong Pheakyny, Cambodia Microfinance Association (CMA)</p> <p>Adeluyi Olajide, Head, Agent Banking, FCMB (Nigeria)</p>

NOTES FROM THE PRESENTATIONS AND DISCUSSION:

Anton Simanowitz (SPTF):

At Cerise+SPTF, we are building on CGAP’s historic work mapping the customer journey and experience.

- CGAP mapped for customers: active barriers, how they choose, how they make decisions, how think about how financial services fit with their needs, how they engage with financial services, how they negotiate, and how they provide feedback
- For customers it improves access, value and reduces risk.
- CGAP also looked at the business case. Noted the win-wins and the points of the journey where we can encourage customers to choose and use services, but also the points where there may not be a business case for customer empowerment such as choosing a different provider.

In this visioning workshop, we’re:

- looking at the market-level challenges and channels
- looking at points of disempowerment for customers, ways to advocate on behalf of customers, and ways to remove these points of disempowerment
- envisioning together what Cerise+SPTF could be doing in these areas for the future

Three Practical Examples of Market-Level Customer Empowerment:

(1) Microfinance Council of the Philippines (described by guest speaker Lalaine Joyas)

- The work started in 2020 with mapping the points of disempowerment experienced by low-income individuals in the Philippines and trying to understand the context.
- Highlights from the mapping study:

- Barriers to Customer Empowerment
 - Lack of awareness of financial products and services – especially in rural areas that aren't digitally connected
 - Lack of trust in providers due to consumer protection issues
 - The provider's risk-mitigating measures (e.g., the requirements for the loans) are intimidating to potential clients, who fear of being denied access to the product. This deters clients from approaching any/new providers.
 - Barrier to Voice
 - Lack of awareness of feedback/complaints channels.
 - Filipinos are typically non-confrontational. They will not file complaints.
 - In response, MCPI started the Aral Plus program
 - Aral means “lesson” or “study”
 - Aral Plus is financial education plus, which means knowledge improvement plus changes in behavior, practice and confidence. Purpose of the program is to complement basic financial education by driving competencies on attitudes and behavior that are associated with an empowered customer
 - Created a series of educational sessions for the Choice Module: learning sessions that can be in a facilitated or self-learning mode (via the Aral Plus Online Platform)
 - Practical support during ‘teachable moments’, i.e., delivery of content around the time when customers need information and tools before making a decision
 - Has embedded a feedback loop within the modules to engage market-level actors. Disempowerment is not only about the barrier relating to the customers, but also involves problems with the providers and regulators. There has to be an enabling environment.
 - Currently, MCPI is trying to identify institutional partners that can help pilot test and deliver the Aral Plus sessions
 - Institutional partnerships will be key to Aral Plus' sustainability and wider reach
 - Looking at government institutions that can integrate Aral Plus into their programming and be a delivery system of the modules to clients
- (2) Cambodia Microfinance Association (described by guest speaker Vong Pheakyny)
- CMA includes 84 microfinance institutions with a total portfolio of 8 billion USD
 - Around 90% of the clients borrow loans of less than \$10,000 USD
 - CMA did data collection from 2 provinces for smallholder farmers and small enterprises
 - Customer Empowerment Journey Mapping
 - Awareness: Most of the farmers build awareness from their social networks – from friends or family members who have experience with loan officers or from a local authority like a village chief.

- Search/Select: The rural customer displays low confidence. Unlike the urban clients, who are more engaged and likely to ask questions.
- Onboarding: When the client applies for a loan, the officer will discuss it with their village chief. The chief then provides summary information about the client to the MFI: family makeup, if the client has good manners and is trustworthy or not. The chief also acts as a liaison.
- Use: The longer the client has been getting loans through the FSP, the more empowered they are to deal directly with the credit officer. Feedback is an issue, though. The loan officers do not adequately explain that the phone number displayed everywhere on FSP loan documents and other marketing material is a hotline number where the clients can lodge complaints -- so people don't use it.

Implications for design of a pilot of customer empowerment:

- Relationships matter
- Geographic segmentation (big differences between urban and rural)
- Changes at FSP strengthen client understanding
- Teachable moments in customer journey
- Opportunities for behavioral nudges in customer journey
- Potential role for local government authority in supporting customer empowerment

(3) FCMB Nigeria (described by guest speaker Adeluyi Olajide)

- There are 200 million people in Nigeria
- We'd like to get at least 70% of the country financially included, and we are well on their way
- 500,000 farmers have been moved to their Easy Club platform which is an e-commerce/agricultural solution designed for small holder farmers to create a technological value for the agricultural ecosystem- it links farmers with input providers while FCMB acts as the financial transactional partner.
- Services available at a typical FCMB location
 - Bank Verification Number enrollment
 - Easy Club enrolment platform
 - Cash withdrawal
 - Funds transfer
 - Deposit
 - Bill payments
 - Airtime recharge
- FCMB Bank Agents
 - **How agents are selected**
 - They must be well-known within their community – i.e., a community leader – because then there is already a level of trust between them and the people they will be offering loans to.
 - They must have had financial education.
 - They must have an existing business. This gives an air of authority.

- **How do we convince agents to work for us**
 - Sometimes we offer them loans
 - FCMB pays more than other banks
- **Role in customer empowerment**
 - Agents in Nigeria are not limited to one company. It is legal to be an agent of many different companies.
 - Agents are typically offering loans to friends and family.
 - This means that, with our agents, their real loyalty is not to any one company – it's with the customer. The agents can and do give feedback to all the companies they work for about what will and won't work for their family and friends. The agents actively advocate on behalf of the customer.
 - This is how the Easy Club came to be. The agents let FCMB know about the barriers to the rural farmers, and so FCMB eliminated a lot of those barriers.

Takeaways from the Above Examples (outlined by moderator Anton Simanowitz):

- Friends, family, and social connections clearly play a role in financial decisions, so how can we leverage that but at the same time support customers to be able to make informed choices?
- Financial authorities also clearly play a role, so what is their role in requiring practice of providers that addresses the points of disempowerment highlighted?
- Ecosystems approach
 - Build customers capacity for better choice, use, voice
 - Providers address points of disempowerment
 - Regulator - outcomes approach that is focused on points of disempowerment

Visioning Exercise – Questions for the Group:

- What are the channels for market level customer empowerment?
- What are the existing activities we can build on?
- What should be the agenda for SPTF going forward?

Q&A with the Audience:

- **The speakers today have talked about trust a lot. Is it our job to make clients trust financial advisers? Or is it our job to empower clients to advocate for themselves?**
 - Response: The latter. Our job is to teach clients about their own capacity to repay. To guide them to what's the right thing to want, so they can advocate for themselves.
- **Clients must have a place to practice the lessons we teach them about financial literacy. There's no point in teaching about all the different financial products if clients don't have the ability to use them. If they're not in savings groups, they don't have accounts, etc., then education is a**

waste of time. The time to teach is when people are using products and can put the lessons they learn into practice immediately.

- Response: Also the focus needs to be providing the knowledge, skills, and practices they need to be effective in their households. The focus isn't to be effective at using specific financial products.
- **What are you doing to empower women in particular?**
 - Response by Lalaine Joyas: In MCPI's mapping study, we found a lot of the points of disempowerment were happening to female clients as well as men, so our Aral Plus is designed to help both. A customer-to-customer approach is part of this Aral Plus program. We have advocates who share their experiences with making financial decisions within our educational module.
 - Response by Vong Pheakyny: CMA is consulting with the Ministry of Women Affairs in particular to specifically design project to promote financial inclusion amongst women.
 - Response from Adeluyi Olajide: In the northern part of Nigeria, a lot of women don't work or have never been allowed to work. Because of this, FCMB is specifically offering these women start-up loans (small loans) that don't require a credit history.
- **How do you make sure that the clients can lodge grievances in a safe, easy way without having a conflict of interest? Also, how is the highest level of leadership at your organizations responding to the grievances?**
 - Response from Adeluyi Olajide: In Nigeria, we have a regulation where, if a customer files a complaint and doesn't get a response within 48 or 72 hours, the bank has to pay a fine. Whenever someone is opening an account, the agent will give you information about where to report or complain. FCMB also calls all our customers regularly. If you haven't had a transaction in 30 days, we will call you and get feedback that way.
 - Response by Vong Pheakyny: In addition to the hotline our FSPs provide, CMA itself also has a hotline where, if the client is unhappy with services from a constituent FSP, they can contact CMA directly. But this isn't a well-used channel, and it's something we are still working on expanding use of and response to.
- **In some settings, people use their social networks and word of mouth to warn other people about scams and risks and bad experiences. Have you seen that as well?**
 - Response from a participant who is the managing director of an FSP: We developed a series of videos. Initially we were just trying to stop the flow of misinformation, but the series has grown to be more positive messaging. Every month has some new releases. We had movie stars in the videos, but lately we've done animated videos of a female character conversing with other women about being wise with how you use your loans. This has been extremely effective because of high production quality and translation into multiple languages. We share the videos via WhatsApp,

and it's been very powerful because it's entertaining and people relate to and like the character.

Other Comments by Workshop Participants:

- If what we really want to do is educate people to make better choices about financial services, we need education not to be a commodity. The trainings must be (a) segmented based on where the customers are in their education and (b) culturally pertinent. If customers are deciding between purchasing a concrete floor and a TV, you have to show them that investing in a cement floor will reduce medical costs and save them money. Otherwise, they will buy a TV.
- It's wonderful to think about education as a form of empowerment, but what about approaching empowerment from the point of view of getting out of the way of the customer? A lot of restrictive practices are driven by regulation. Things like requiring people to wait 10 days and then go to the branch to withdraw. Or strict repayment schedules where a more flexible arrangement could work well. Often what we see in financial diary data is that people know their financial data well and could manage their money well if we just got out of their way.
- We have a customer-to-customer empowerment strategy. It's a program where women who have been clients of [our FSP] for some time talk to other women about their experience getting their first loan and growing their businesses, including barriers they experienced and how they overcame them. Within this program, we heard an anecdote about a woman saying she was concerned about getting a loan because she was worried about what her community would think of her, as a woman, getting a loan.

Final Question from the moderator for the group: How do we engage at the point of need? For example, is there a way to use social media or Google to deliver educational videos to customers at the time they need them? What should be SPTF's focus for the future?

- Response 1: Insurance companies and assistance companies. If we are in the business of protecting customers, these are good focuses. Customers tend to have just one kind of insurance right now, and surely there could be more.
- Response 2: We should go beyond Financial Service Providers. We started by warning customers that buyer should be beware. Then we pointed out that there are things that FSPs can and should do. But the next, unfinished level is going to the regulators and getting them to enforce the best practices.