



Field Insights No. 3

Mobile Banking in the Philippines:

The Role of Consumer Education in Promoting Adoption



**Nov
2013**

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A PROMISING START

The Philippines is an archipelago with over 2,000 inhabited islands.

As a result of the country's geography, much of its population lives in rural and remote areas with no access to brick-and-mortar bank branches. Through the advent of mobile banking¹, the Philippines has been able to leverage its 90-percent mobile phone coverage rate to provide basic financial services to nearly 400,000 residents without access. The numbers indicate that mobile banking programs have steadily increased in popularity over the past near decade: from July 2004 to 2012, the number of mobile transactions through the country's Rural Banks reached over 3 million and accrued a total value of over \$400 million.²

In partnership with the MasterCard Foundation, Microfinance Opportunities (MFO) recently undertook a pilot program in the Philippines to determine how consumer education could support the adoption of branchless banking. The program was part of a larger group of pilot projects, with others taking place in Zambia and India. Across the three countries, MFO sought to evaluate how consumer education could increase the financial capability of consumers to make and exercise informed, confident, and timely decisions around signing-up for and using branchless banking services.

MFO worked on the ground in the Philippines with two local partners—the USAID/Philippines-supported Microenterprise Access to Banking Services (MABS) and the Rural Bankers Association of the Philippines (RBAP). The three organizations joined forces to design, implement, and evaluate a consumer education program to encourage and support the country's low-income and rural populations to both sign up for and use Mobile Phone Banking services (MB).

MFO's ultimate goal was to determine whether an appropriately designed consumer education program could support the adoption and use of MB services. Through their own participation in the program, MABS and RBAP wanted to foster the sustained use of MB within the country's Rural Banks. Collectively, the two organizations also sought to better integrate the promotion of MB into the regular processes and structure of Rural Banks.

Throughout this project, MFO gathered valuable insights and data. This case study highlights salient lessons learned from this project and provides a synopsis of data documented at each

¹ Defined as services that enable customers to use a mobile wallet to access and carry out financial transactions with their bank account.

² "For Text-Savvy Filipinos, Mobile Banking Is a Crucial Bridge," Frontlines (blog), USAID, September/October, 2012, <http://www.usaid.gov/news-information/frontlines/youth-mobile-technology/text-savvy-filipinos-mobile-banking-crucial>, accessed October 2013.

phase of its implementation, from market research to process documentation to outcomes assessment.³ The insights and lessons learned from this project, and those in Zambia and India, can shed light on consumer education's role in promoting the use of branchless banking.

MABS provides technical assistance and training to Rural Banks. The three Rural Banks that participated in this project were 1st Valley Bank, GM Bank, and Cantilan Bank.

Figure 1: Rural Bank Partners

	1st Valley Bank ⁴	Cantilan Bank ⁵	GM Bank ⁶
Year established	1985	1999	1987 founding; 2004 (consolidation took place)
Products and services	Savings, checking and retirement accounts. Commercial and consumer loans.	Savings accounts and Time Deposits. Agricultural, Small and microenterprise loans. Remittances.	Savings checking and time deposit accounts. Agricultural, Commercial and Industrial loans. Remittances.
Gross Loan Portfolio USD	\$116.3 million (2013)	\$26.2 million (2012)	\$45.9 million (2013)
# of active borrowers	47,694 (2013)	21,275 (2012)	25,391 (2013)
Average Loan balance per borrower USD	\$2,439 (2013)	\$1,233 (2012)	\$1,806 (2013)
Deposits USD	\$79.0 million (2013)	\$19.7 million (2012)	\$36.5 million (2013)
Number of depositors	108,996 (2013)	68,668 (2012)	106,443 (2013)

The MB service offered by the Rural Banks enabled clients to carry out banking transactions through their mobile phones by leveraging GCASH, the electronic money service and mobile wallet platform.⁷ A mobile wallet is defined as an electronic account held on a mobile phone

³ <http://microfinanceopportunities.org/?p=2159>

⁴ <http://reports.mixmarket.org/mfi/1st-valley-bank> and <http://1stvalleybank.com/>

⁵ <http://reports.mixmarket.org/mfi/cantilan-bank> and <http://www.cantilanbank.com/>

⁶ <http://reports.mixmarket.org/mfi/gm-bank-of-luzon> and <http://www.gmbank.com.ph/>

⁷ The mobile phone was used to transact with the bank using SIM Toolkit e-money technology.

that can be used to store and transfer value.⁸ Clients could use the MB service to send and withdraw funds from their accounts, as well as send loan payments to the bank.

The three banks participating in the program did not approach MB as a service that would generate revenue based on transaction fees. Instead, the value that these banks saw in MB was that it would help them increase the productivity of loan officers. The banks would encourage clients to use MB to send their loan payments to the bank. This in turn, would enable loan officers to spend less time in the field carrying out loan collections and spend more time acquiring new customers and opening new accounts. 1st Valley Bank determined that the savings and revenue generated from this reallocation in the time and duties of their loan officers would enable them to reduce the loan interest charged to clients that switched to using MB to pay their loans.

THE STRATEGY: EMBEDDING CONSUMER EDUCATION

MFO and its partners chose to take an “embedded” approach to delivering consumer education.

To this end, they mapped out key contact points between the organization and the client in order to identify the most “teachable moments” to engage participants in training. MFO then trained front-line staff to leverage these contact points to deliver on-the-spot training. The goal of this embedded approach was to integrate training into the core business of the Rural Banks, instead of it existing as an isolated “one-off” program.

These brief interactions were also designed to deliver and reinforce clear and relevant consumer education messages throughout the clients’ journey towards behavior change. The consumer education training and tools leveraged clients’ existing knowledge and built bridges with services and ideas with which they were already familiar, incorporated Adult Learning Principles, and used illustrations, stories and examples to convey educational messages.⁹

‘Embedded’ Consumer Education is the practice of educating consumers through existing customer contact points. These are encounters that consumers have with financial service delivery systems that exist primarily for non-educational purposes.

Instead of creating additional spaces to train consumers, an ‘embedded’ consumer education program leverages these interactions consumers have with the institutions to deliver consumer education training to them.

⁸ <http://www.pfip.org/definitions/>

Bank clients and front-line bank staff were key stakeholders in the project because of their on-going interactions with customers. Additionally, merchants, or local community retailers, were integral to its implementation, because their job was to offer clients the service of uploading and withdrawing funds from their mobile wallet accounts.

For the purposes of the pilot project, MFO focused on two critical processes that could be positively impacted by a consumer education initiative: up-take and use of the MB service. Overall, the consumer education program was envisioned as a tool that could help equip clients with the financial capabilities—or the combination of knowledge, skills, attitudes and self-efficacy (KSASs)—needed to make and exercise informed, confident and timely decisions around signing-up for and using mobile banking (MB).

To achieve the goal of embedding education into the operations of the banks, MFO and its partners followed a familiar path. As in all MFO projects, they took the following steps:

- A market research study designed to identify the challenges preventing clients from adopting mobile banking;
- The design of a consumer education strategy and corresponding tools for clients, front-line staff and merchants;
- A consumer education pilot with three Philippine Rural Banks;
- An evaluation of program results through a qualitative and quantitative outcomes assessment study.

INCREASING UP-TAKE

The market research revealed several challenges consumers faced in deciding whether to sign up for MB services.

First, because clients were not already familiar with the MB technology—a technology that required them to use their mobile phone to conduct financial transactions and receive confirmation of the same—they exhibited a general lack of trust in MB services.

For example, clients expressed a preference for “paper-based” transactions. In order to feel secure, they wanted to hold actual cash and receive confirmation of transactions in the form of a paper receipt. This apprehension was partly due to a lack of understanding of the way in

⁹<http://www.massassets.org/massaves/documents/12PrinciplesAdultLearning.pdf>

which the MB technology verified that transactions were successful, in this case through an SMS confirmation. To alleviate these concerns, MFO included a screen shot of an SMS confirmation in the Starter Kit given to clients as a takeaway. This document explained the transaction information contained in an SMS receipt and showed its similarities to a paper receipt, giving clients a “bridge” from their current banking experience to the new, MB experience.

Second, promoting MB was a complex task for bank staff and agents during the short client interactions they had. Clients’ unfamiliarity with the technology made it difficult for some to understand how money could be transferred into GCASH and stored inside their mobile wallets.

Bank staff equated sending mobile banking transactions to sending text messages, or compared the process to sending airtime load to family or friends. They complemented their explanations with demonstrations of how GCASH worked and used testimonials of clients that had benefited from it. However, the challenges they faced included their own brief training in the subject matter, limited customer interaction time and the need to repeat their explanations until client’s grasped the concept.

To address the challenges described above, MFO and its partners identified three points of contact to embed education on the uptake and use of MB:

1. Branch-based bank staff interactions with clients during their visits to bank branches to carry out transactions;
2. Loan officers’ interactions with their microcredit clients outside of branches; and
3. Merchants’ interactions with clients who were shopping, or for those that had already signed up for GCASH, when they loaded or withdrew funds from their mobile wallets.

Taking advantage of these existing interactions, the consumer education program used a series of informative posters, tri-folds, and standees at both merchant locations and bank branches. These products raised awareness of the service and explained its benefits and functions in concise and engaging ways. They also increased bank staff’s confidence in their ability to accurately explain the program’s technical features.

Face-to-face communication was also determined to be critical in promoting and conveying the value of signing up for MB services. The consumer education program designed a flip-book to help bank staff explain to clients how the service worked using illustrations that described the different steps involved in the process. It also used storytelling to present the benefits of MB in ways that related to clients’ every day needs. Therefore, bank staff and merchants were equipped with the necessary tools to effectively explain and promote MB. The consumer education program and tools also increased their knowledge of the subject matter and their confidence as instructors. If a client was further interested in the service

afterwards, staff could follow up by providing a Starter Kit with even more in-depth information on its features and technicalities.

PROMOTING ACTIVE AND SAFE USE

MABS and RBAP had been working since 2004 to promote the use of mobile banking services among Rural Banks.

They experienced several challenges in doing so. One of these challenges was that clients lacked confidence to transact on their own. Instead, they relied on merchants; additionally, older clients often depended on their children to perform these transactions on their behalf.

In short, clients feared making mistakes while transacting. They had initially received limited training and were caught in a cycle of learning by trial and error.

As a result, they were signing up for MB but ultimately only using the mobile wallet to buy airtime, pay bills and send personal payments instead of completing actual bank transactions. Meanwhile, bank staff and agents received only a single training, making it a challenge for them to provide effective technical guidance when queried.

Several key interventions were designed to assuage clients' fears of transacting on their own. First, client takeaway materials included a step-by-step description of the transaction process, incorporating screen shots. Clients were encouraged to refer back to this material and to use it as a guide when carrying out transactions. Bank staff also continued to use hands-on demonstrations to train clients in the process, increasing overall confidence.

Another factor impacting the lack of trust in the service was a limited understanding of the security features that the service used—in this case the PIN number—and how they kept clients' money safe. Some clients were sharing their PIN numbers with merchants, while others were concerned that PINS could be accessed by Telco employees. To counteract this, the consumer education program included a discussion of a PIN's function and use and instructions of what to do if a client forgot their PIN number.

LESSONS LEARNED

Several key lessons emerged as a result of the partnership between MABS, RBAP, and MFO, and the pilot project that ensued in the Philippines.

First, it is critical to build trust in the security and proof-of-transaction features of MB in order for clients to feel comfortable enough to integrate its use into their everyday lives. As a foundation, the target population needed to become familiar with what the SMS confirmation was. This enabled them not only to read the information it contained but also have confidence in the SMS receipt as a proof that their transaction was successful. Clients also needed to have a better understanding of how the PIN worked and how to manage it to keep their money safe. Ultimately, independent and ongoing use of the service is contingent on high customer trust in the service.

Secondly, it was also crucial to build client's confidence to use the MB service on their own. The inclusion of a tailored and clear-cut takeaway tool—in this case the Starter Kit—helped build clients' confidence and comfort in using the service. This proved to be an essential consumer education tool that contributed to clients' increased confidence. The Starter Kit presented detailed step-by-step information on the transaction process in a clear and concise manner. Clients used this tool as a reference guide and shared it with other family members.

Furthermore, equipping front-line staff with the proper tools and knowledge to effectively train and inform clients during opportune moments of interaction is a critical component of increasing client confidence. Consumer education that leverages client's existing knowledge, builds bridges with what clients are already familiar as well as uses accessible language, storytelling and illustrations, enables bank staff and merchants to have a more effective means of explaining the service within the inherent time limitations. This clear-cut method of sharing information resulted in a more consistent and structured approach to promoting mobile banking within the participating Rural Banks.

Consumer education also represents an effective way for merchants to take a more active role in promoting mobile banking. The variety, and “levels”, of consumer education tools at their disposal provided them the autonomy to determine their clients' needs and exactly how involved they wanted to be in the process.

The project also discovered that, though the use of texting and mobile wallets in the Philippines is high, many Rural Bank clients were not familiar with how to use their cell phones for transferring funds or making payments. This predicament was rooted in their unfamiliarity with what a mobile wallet was and how it worked.

The mobile wallet (in this case GCASH) is the platform that comprises the heart of the mobile banking service. Clients needed to use it to carry out banking transactions. To do so, they first had to understand its features in a simple, visual, and illustrative way. So, even though the program's goal was to promote mobile banking services, it was important to first explain how the electronic money and mobile wallet platform worked.

MFO and its partners therefore, identified that it was crucial to inform clients that they had to use the GCASH mobile wallet to access the MB service and explain how mobile wallets worked. Besides providing this information, it was found important to also promote MB as a new service offered by the Rural Banks that clients could now access in addition to the other mobile wallet services they currently used.

PROGRAM RESULTS AND CONCLUSION

To assess the range of outcomes of the consumer education program, MFO conducted both quantitative and qualitative research.

The quantitative research was conducted to measure the amplitude of the training program's impact on client financial behavior. The quantitative research consisted in the analysis of management information systems (MIS) data provided by the three Rural Banks involved in this project. The analysis looked at changes in the number of clients that signed up for MB and changes in their level of use of the service. Qualitative research was conducted to assess the training program's impact on the level of customers' financial capabilities and the response of clients, loan officers and merchants. MFO conducted focus groups with Rural Bank clients and individual interviews with Bank staff and merchants.

Overall, the pilot project's impact was positive though limited, due to some real challenges caused by the particular ecosystem in the Philippines. In particular, bank staff had a difficult time finding merchants in rural areas that they could sign up to operate as GCASH transaction points. This made it difficult for clients for whom the MB value proposition was strongest, because they lived out of town and away from a branch, to use the service. Most of the clients of the participating Rural Banks also lived near the town center and for them using MB was less attractive. They traveled regularly to the town center and they preferred to go to the Bank branch during these visits to transact in cash.

In sum, the program fulfilled its stated goal of improving the target population's attitudes, knowledge, skills, and self-efficacy in signing up and using branchless banking. The MFO-MABS-RBAP partnership achieved this by designing learning products that were tailored to stakeholder needs and then integrating consumer education into the Rural Bank's operations by leveraging key contact points with clients. This resulted in more efficient and effective sign-up and active use of the MB service.

These outcomes can be attributed, in part, to the project's focus on increasing client's trust in the MB service and strengthening their confidence to use the service on their own. The data gathered in the outcomes assessment suggests that there was a marked increase in trust in mobile banking among the consumers exposed to consumer education in this program. Clients that received consumer education cited more reasons why their mobile banking transactions were safe than clients who had not receive this training. The majority volunteered that their transactions were safe because they received an SMS confirmation.

The outcomes assessment also indicated that clients who were exposed to consumer education were carrying out transactions on their own, instead of relying on merchants. Overall, it can be argued that this willingness to transact on one's own was a result of an increased comfort level with the MB service. This was bolstered by access to a more in-depth level of training from bank staff, including hands-on demonstration and the use of effective consumer education tools. Though the number of people involved in this pilot was very small, the quantitative data suggests that consumers exposed to the education program increased their use of MB services, more than those not exposed to the training.¹⁰

These results reflect the program's strategic efforts to educate clients on MB's safety and proof of transaction features, the steps needed to transact, as well as targeted efforts to eliminate reservations and increase client's confidence about using unfamiliar technology.

In addition, the strategic interventions that took place during the course of the pilot program were shown to have strengthened both bank staff and merchants' capacity to communicate with customers in effective and engaging ways about mobile money.

¹⁰ The number of clients whose observed behavior changed was small, but did reflect some program success: in the Treatment branch, the average number of people making a Text-a-Withdrawal (TAW), or Text-a-Deposit (TAD), in any given month before the education program was implemented was three (3); during the education program it went up to fourteen (14). In the Comparison branch the numbers were three (3) and three point four (3.4), respectively.

Acknowledgements: The author would like to thank Julie Lee, Guy Stuart, Craig Tower and Sara Parks, as well as John Owens, Meliza Agabin, and Cheryl Balingit from the MABS team, for their contributions to the paper. The author also thanks Conor Gallagher and Samantha Lara for their assistance in the final preparations of the paper.

MFO would also like to thank The MasterCard Foundation for making this program possible, as well as the partners in the project, MABS and RBAP. Finally, MFO would like to recognize Monique Cohen, whose vision launched the Consumer Education for Branchless Banking initiative.

Additional Resources

Field Insight Series: The Role of Consumer Education in Adoption

1. *Uncovering Barriers to Branchless Banking A Synthesis of Consumer Capability Research in India, Malawi, Philippines, and Zambia*
2. *From Insights to Action: Building Client Trust and Confidence in Branchless Banking*
3. *Mobile Banking in the Philippines*
4. *Smart Cards in India*
5. *Microfinance and E-Payments in Zambia*
6. *Embedded Education Lessons Learned from Three Branchless Banking Projects*

Videos: Consumer Education for Branchless Banking Series

The Power of Agents: Smart Cards in India

Changing the Way We Look at Success: Mobile Banking in the Philippines

The Customer Focused Approach: Microfinance and E-Payments in Zambia

Why Consumer Education Matters for Branchless Banking

How Embedding Consumer Education is Easier to Implement than You Think

Outcomes Assessment Report Series

RBAP-MABS, Philippines

FINO PayTech, India

Zoona and VisionFund, Zambia

Consumer Education for Branchless Banking (CEBB) Online Course

<http://microfinanceopportunities.org/?p=2159>