Windsor 2010

Consumer Experience in Branchless Banking

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March 9, 2010

Agenda

Context	• *How we can use new and existing consumer surveys to identify priorities in consumer protection?* • *Basic framework of analysis*
Evidence	**Brazil: Bank correspondents** • *For what are people using correspondence agents, compared to other channels?* • *What problems are people having with correspondence agents, compared to other channels?* • *How are people responding to those problems?* **Kenya: M-Pesa** • *How are people using M-Pesa compared to other methods of remittances and savings?* • *What type of problems are people experiencing with M-Pesa compared to other methods?* • *What is the perception of risk of M-Pesa?*
Questions for the panel	• *Were any of the results a surprise?* • *If you had this information in your country, how would it shape your regulation and supervision?* • *Specific questions led by the moderator*

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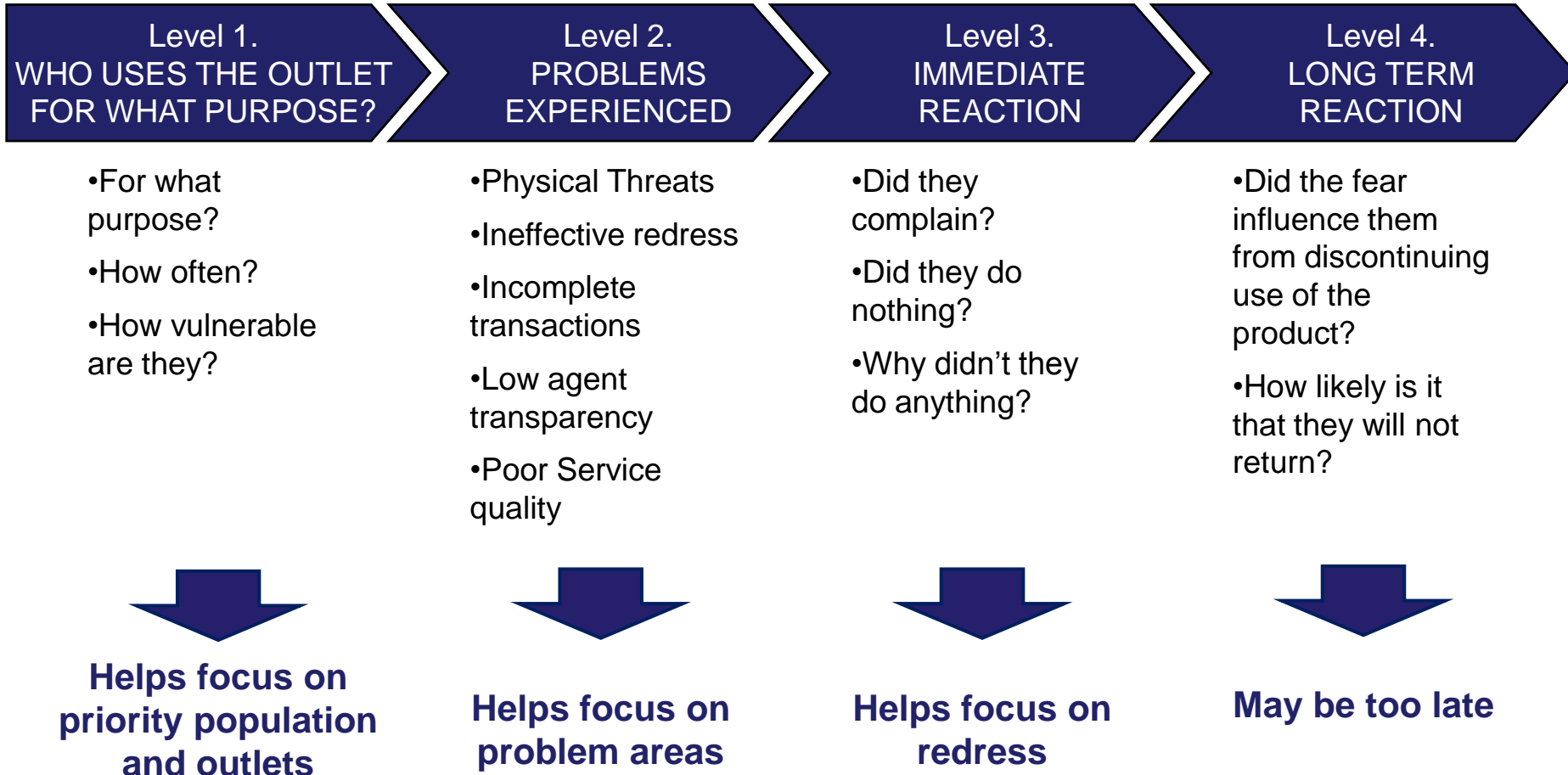# An effective survey of consumer experience should include…

- Comparisons with other types of outlets (inside a bank branch, ATM, internet) or services

- A focus on the most vulnerable, in terms of literacy and income, in the user group

- A line of questioning from the beginning to the end of the user experience.

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Framework: Following a chain of events

Level 1. WHO USES THE OUTLET FOR WHAT PURPOSE?	Level 2. PROBLEMS EXPERIENCED	Level 3. IMMEDIATE REACTION	Level 4. LONG TERM REACTION
• For what purpose? • How often? • How vulnerable are they?	• Physical Threats • Ineffective redress • Incomplete transactions • Low agent transparency • Poor Service quality	• Did they complain? • Did they do nothing? • Why didn't they do anything?	• Did the fear influence them from discontinuing use of the product? • How likely is it that they will not return?
Helps focus on priority population and outlets	**Helps focus on problem areas**	**Helps focus on redress**	**May be too late**

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Brazil: Correspondent banking background

- **Correspondence agents are *third parties agents*** such as pharmacies, post officers, grocery stores and lotteries.

- Correspondence agents can **offer the following services**
  - Disburse loans approved by bank
  - Disburse government social transfer
  - Effect bill pay and transfers
  - Take deposits and loan payments
  - Initiate savings accounts, loans and credit cards (all with approvals from the bank)

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Using a specially-designed consumer survey

Brazil Survey Details…

- Specially commissioned **add-on questions** to an omnibus survey

- Survey was fielded over a month in November 2009; data received by mid-December 2009

- Sample selected in **population-representative** manner

- Total Sample size = 2002

- **57%** of the sample classified as "**vulnerable**"
  - Monthly personal income less than minimum wage (US$279 per month)
  - Education levels of only some primary school

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Outlets used for different activities
(% of total mentioned)
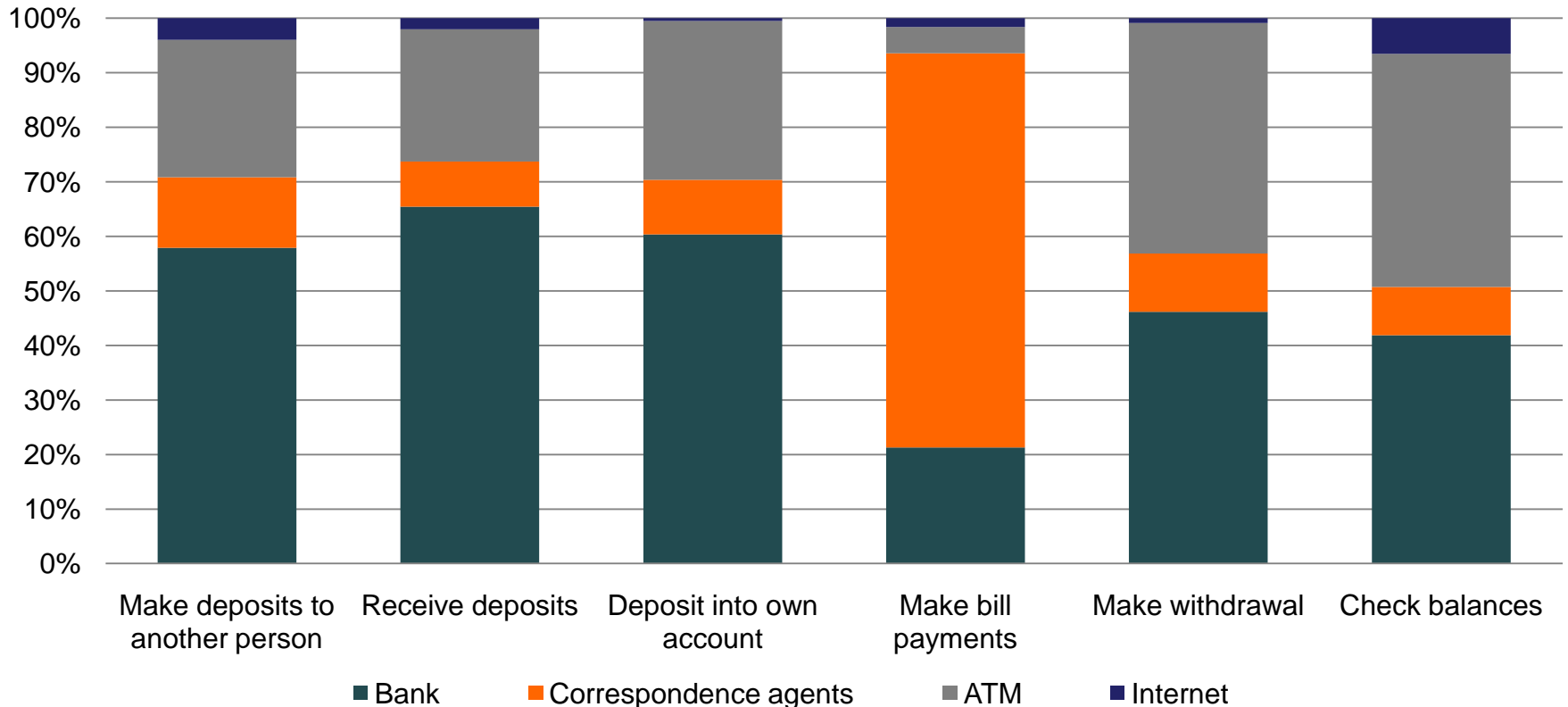
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Who uses* different outlets?
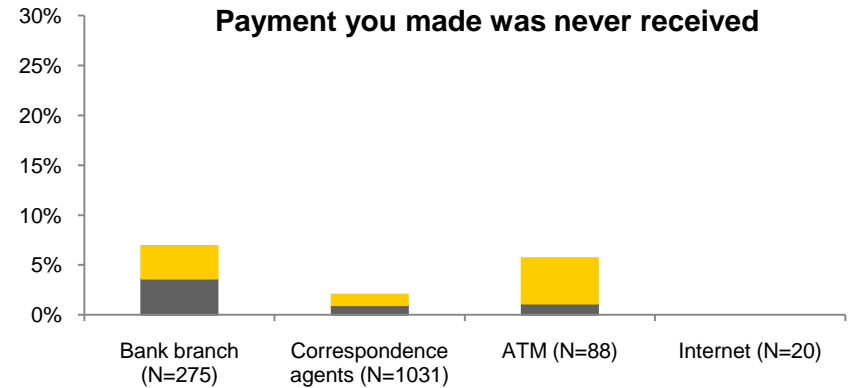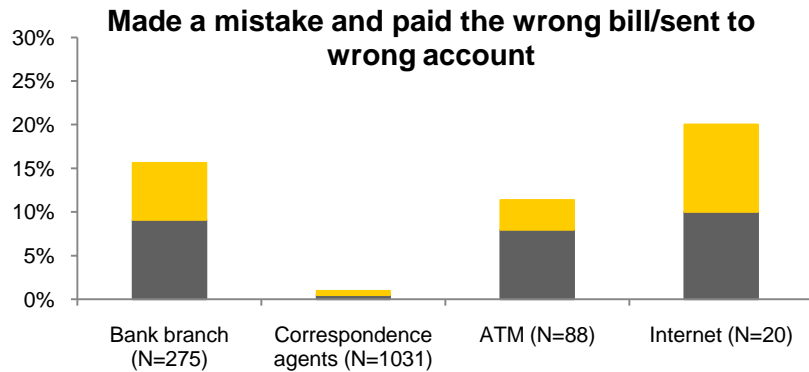### % of total sample
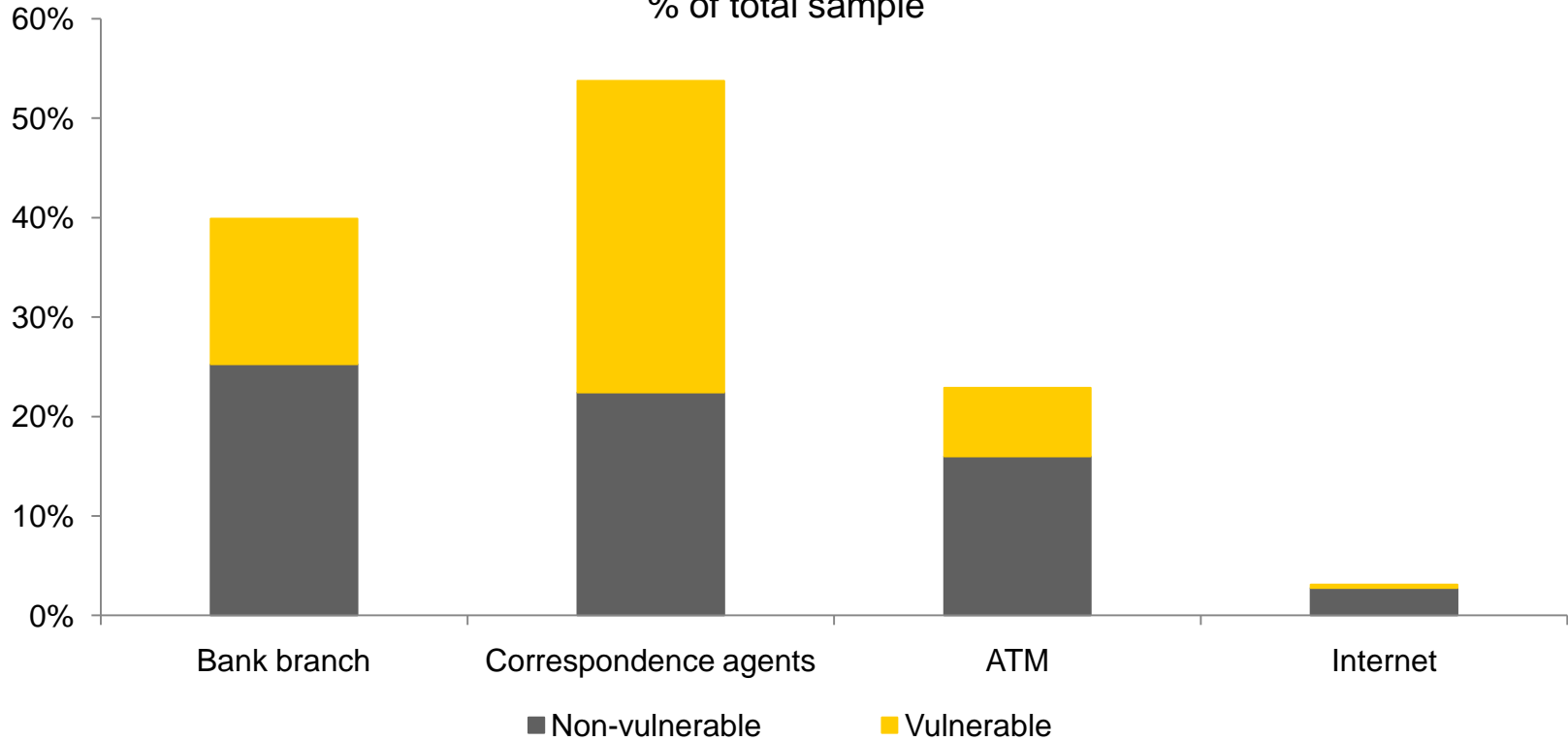
*At least once in the last month

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Level 2: Incomplete transaction problems

Q: When you've had the following problem, where did it happen the most recent time?
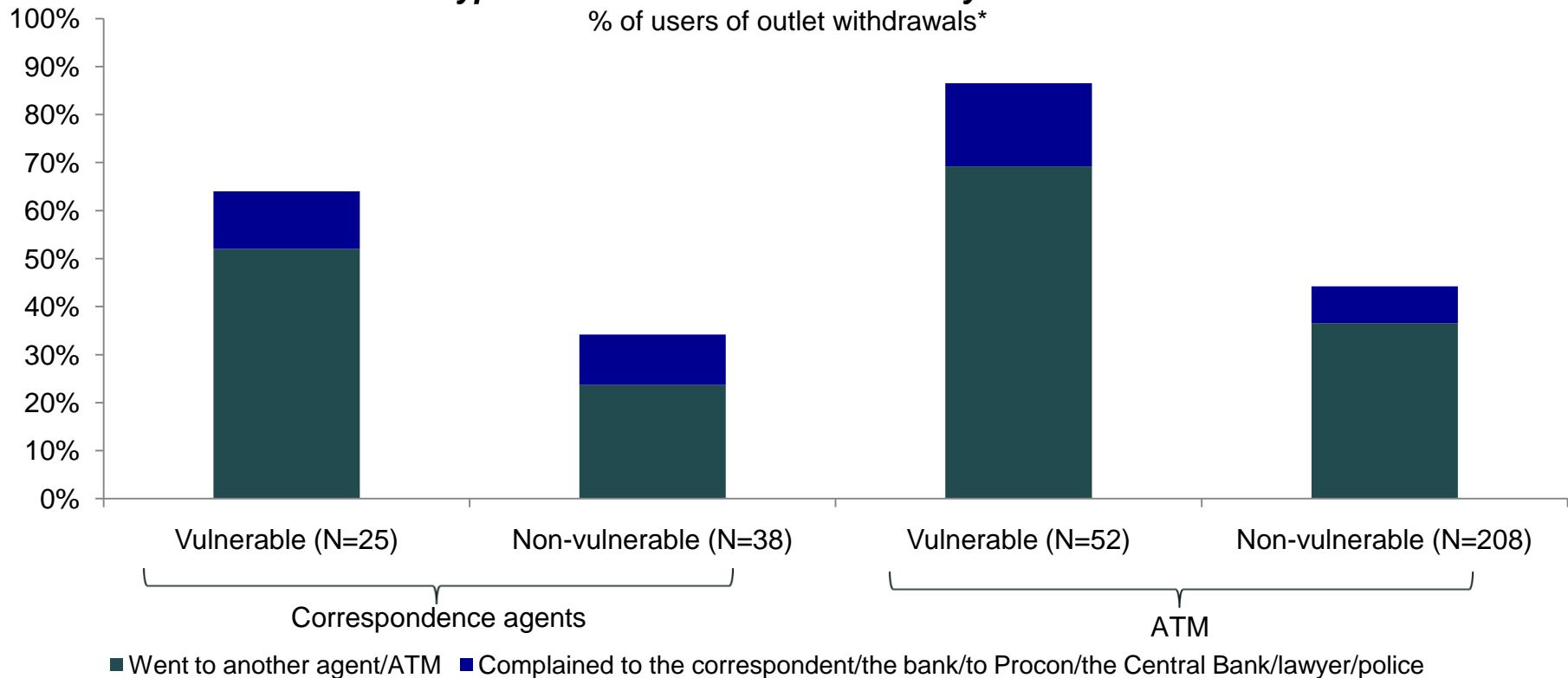% users of outlet who do this type of transaction

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Q:The last time you found that there was no cash when you went to withdraw, what type of outlet was it and what did you do about it?

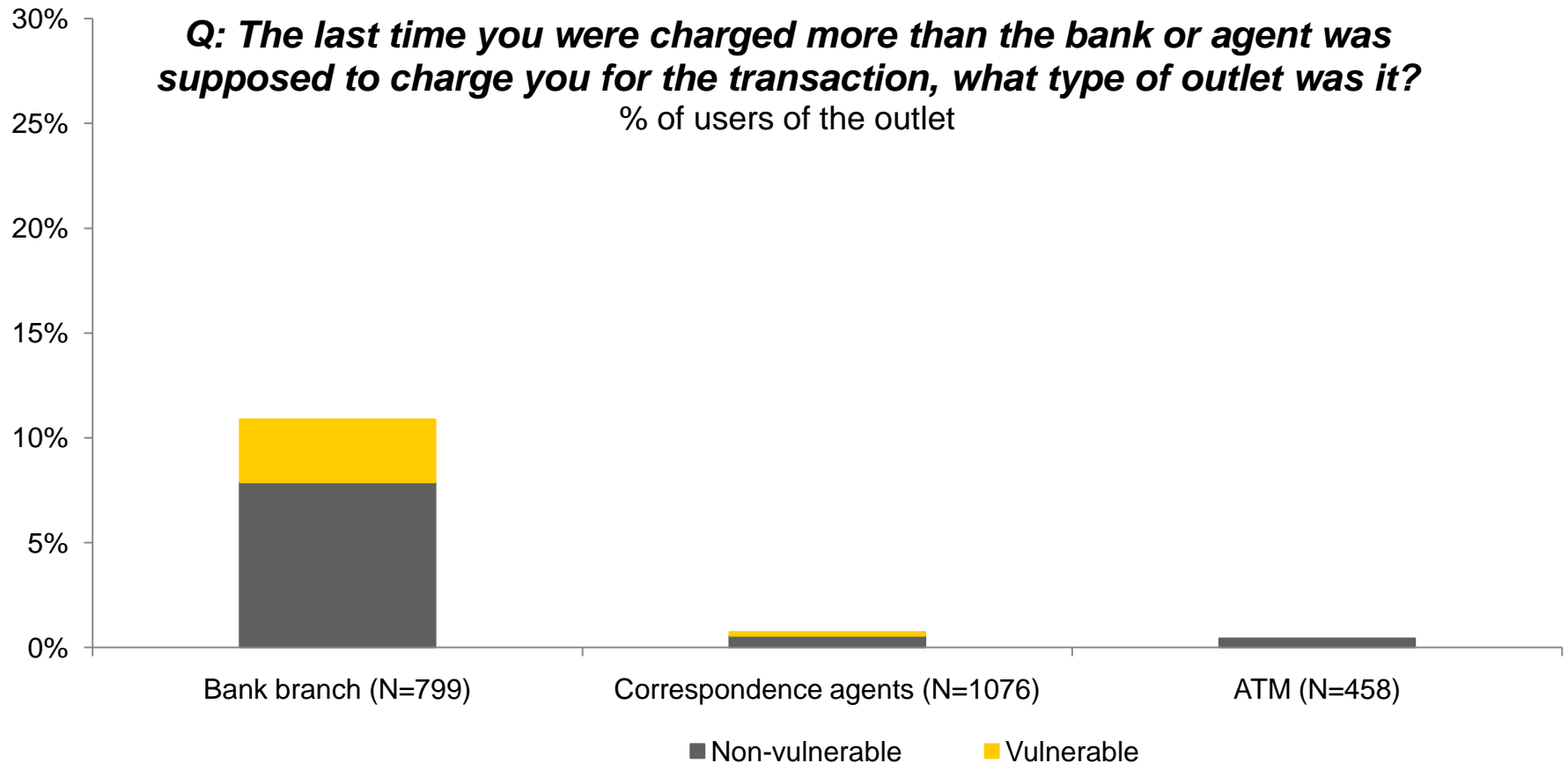% of users of outlet withdrawals*

Went to another agent/ATM   Complained to the correspondent/the bank/to Procon/the Central Bank/lawyer/police

*Excluding those who responded by "doing nothing"

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12

Q: The last time you were charged more than the bank or agent was supposed to charge you for the transaction, what type of outlet was it?

% of users of the outlet

Legend: ■ Non-vulnerable ■ Vulnerable

X-axis categories: Bank branch (N=799), Correspondence agents (N=1076), ATM (N=458)

Y-axis: 0% to 30%

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Level 2: Problems of physical safety

Q: The last time you were robbed at at the outlet, what type of outlet was it?
% of users of the outlet

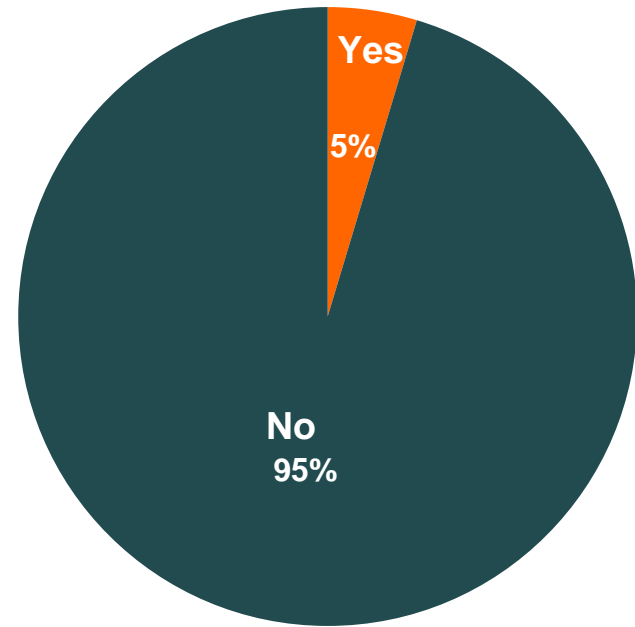Bank branch (N=799)　Correspondence agents (N=1076)　ATM (N=458)

■ Non-vulnerable　■ Vulnerable

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Q: Have you or anyone personally close to you ever been the victim of a fake correspondence agent?
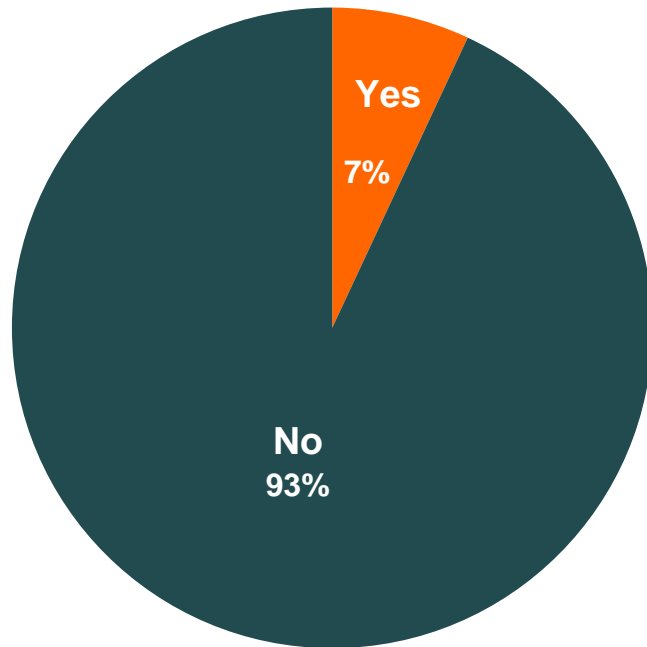
Yes
7%

No
93%

Non-vulnerable

Yes
5%

No
95%

Vulnerable

I did not do anything about the problems I had because I did not know what to do or didn't think anything could be done

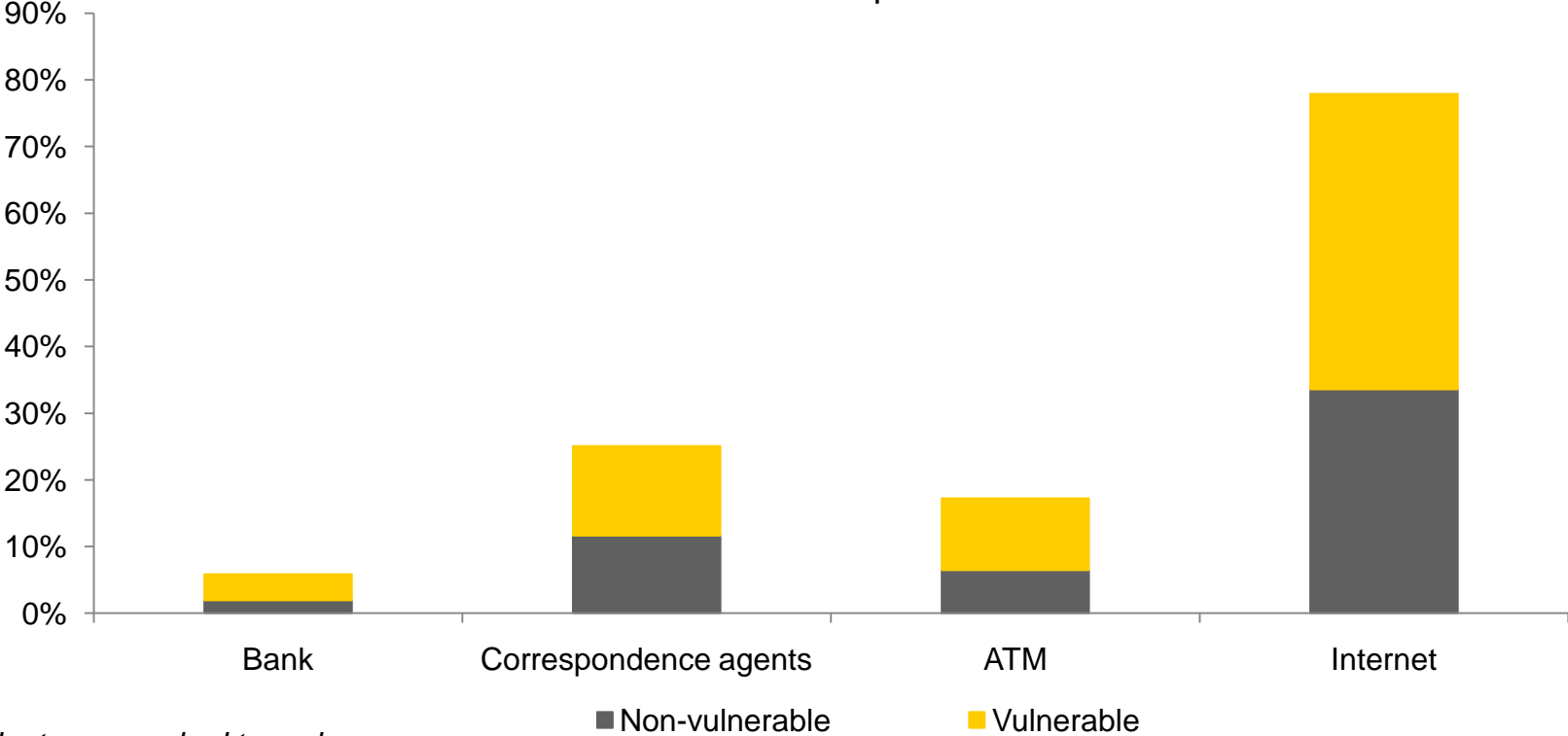% of those that had a problem at the outlet in the last year*

Summary of problems:

• Made a mistake

• Payment not received

• Remittance not received

• Deposit was not accounted for

• Robbed

• Charged too much
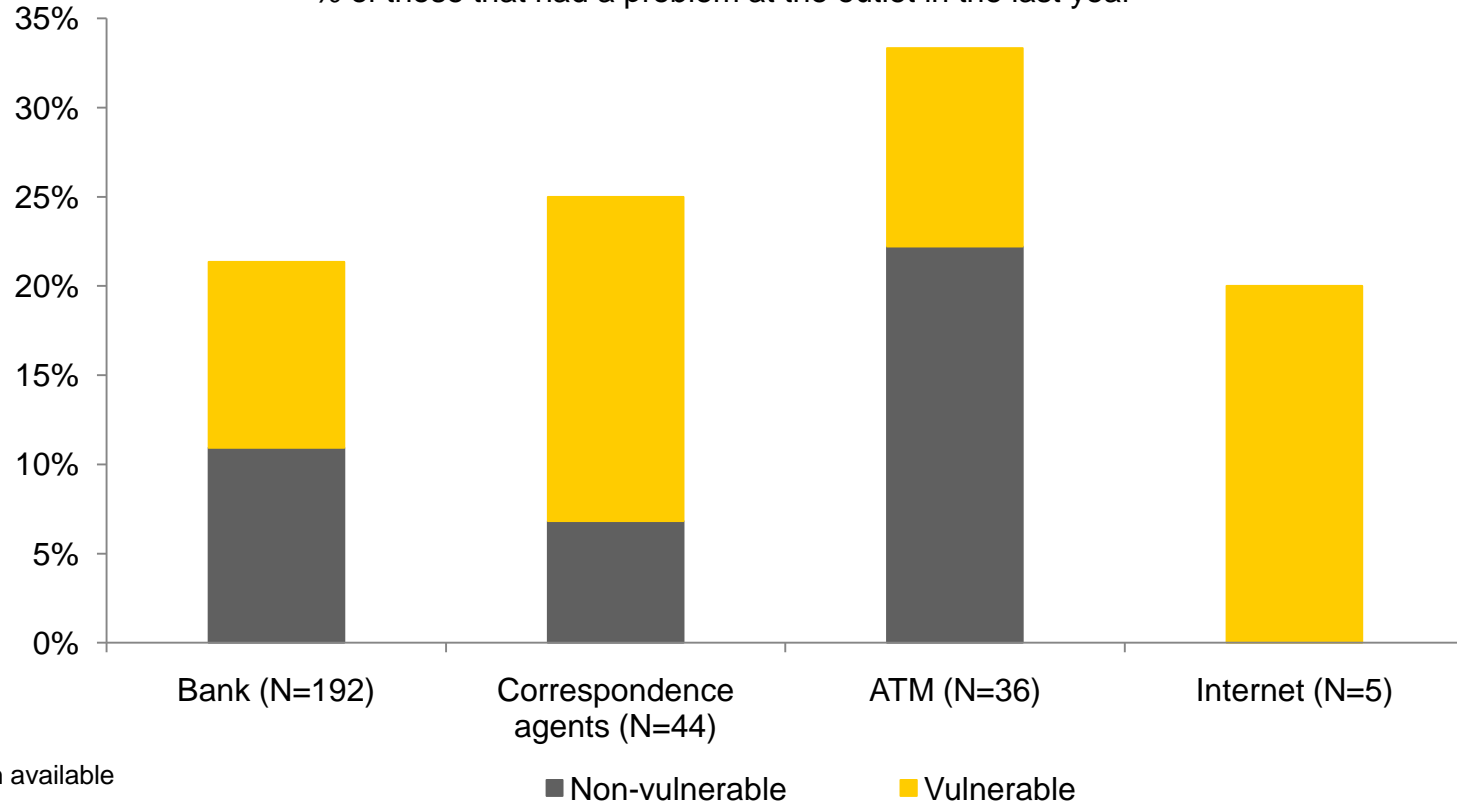
*Leaving out problem of no cash available

■ Non-vulnerable   ■ Vulnerable

Bank (N=192)   Correspondence agents (N=44)   ATM (N=36)   Internet (N=5)

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**Respondents ranking this outlet as least safe option***
% of total sample

* Respondents were asked to rank outlets from most safe to the least.

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Q: When any of the above happened, did you either keep using the outlet because you felt you had no choice, or stop using it?

% of those that had a problem at the outlet in the last year
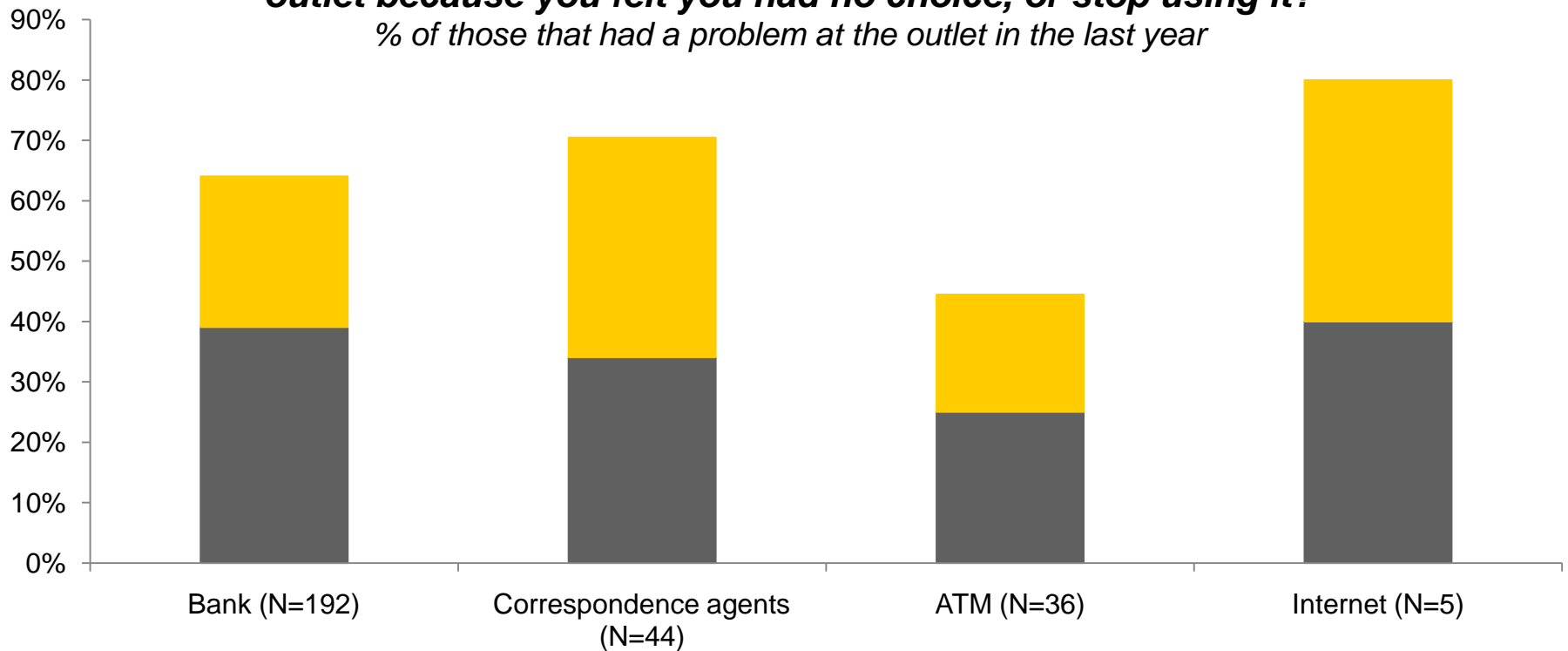
*Leaving out problem of no cash available

■ Non-vulnerable   ■ Vulnerable

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Key takeaways for correspondent banking and what information is still missing

What we know

- Incidence of problems is low, with the possible exception of remittances not being received

- But when a problem happens, many consumers do not know where or how to complain, or even if there is a problem

- And this leads to them stopping using the outlet

What is missing

- Better information on liquidity.

- Better information about *why* redress is not working.

- How well do consumers understand when they have a real problem?

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Kenya Survey Details…

- Survey commissioned by Financial Services Deepening Kenya

- NOT SPECIFICALLY TO ASSESS CONSUMER PROTECTION but to simply survey M-Pesa use

- Survey undertaken between August and October 2008

- 3003 randomly selected households, over-sampled in locations with many M-Pesa agents

- Not nationally representative

- "Vulnerable" categorized as:
    - Estimated expenditure per person per day under $2 per day using market exchange rates, assuming 4 people per household
    - Education of Standard 7 or lower

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Use of M-Pesa services
% of sample
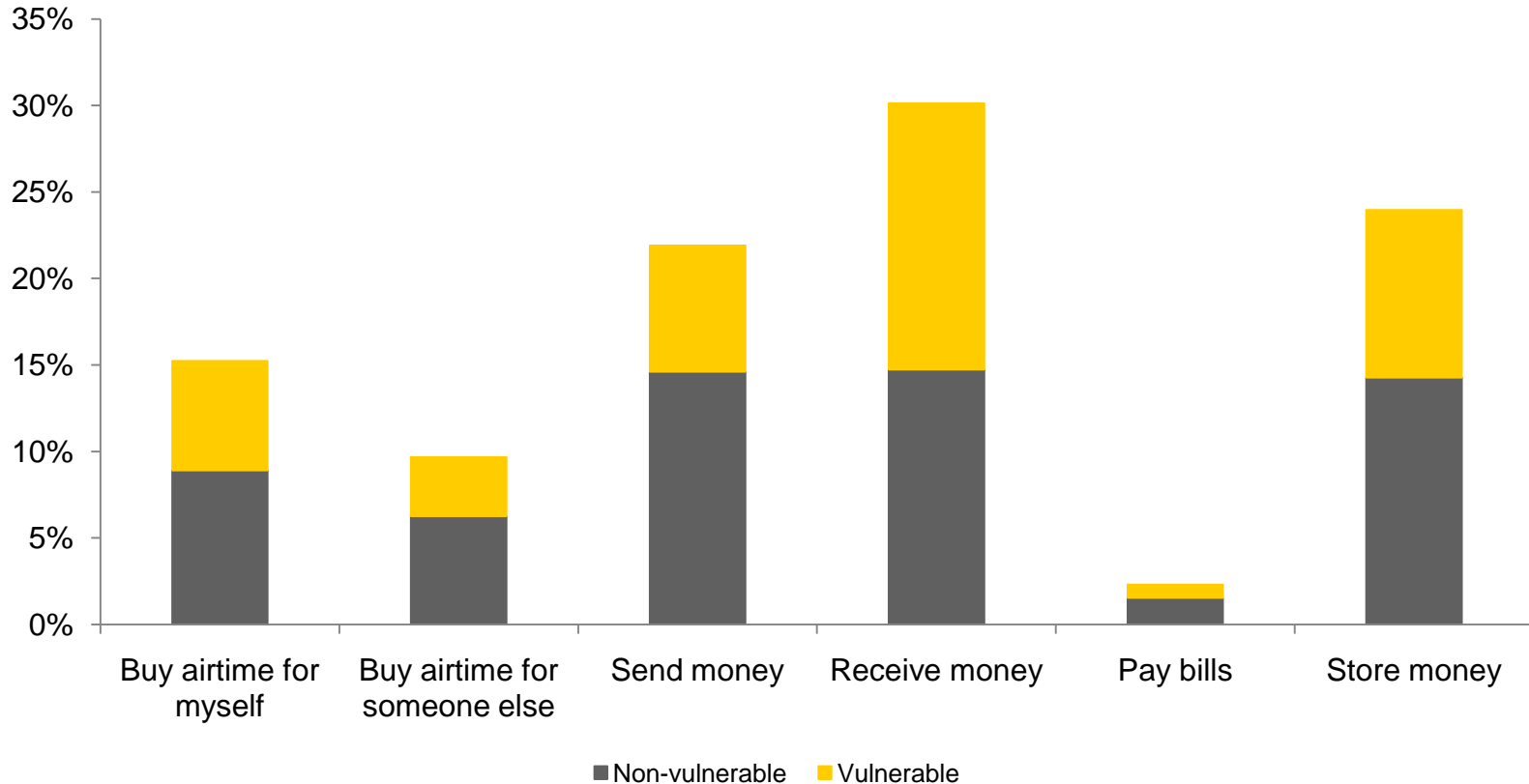
Q: How much does it cost to send 1000 KSh to a registered user?
% of sample
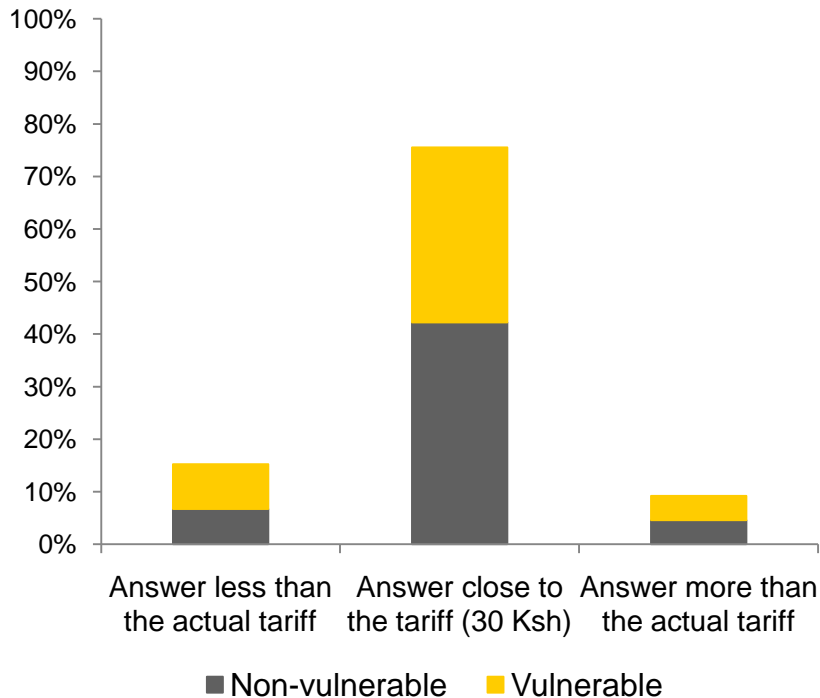
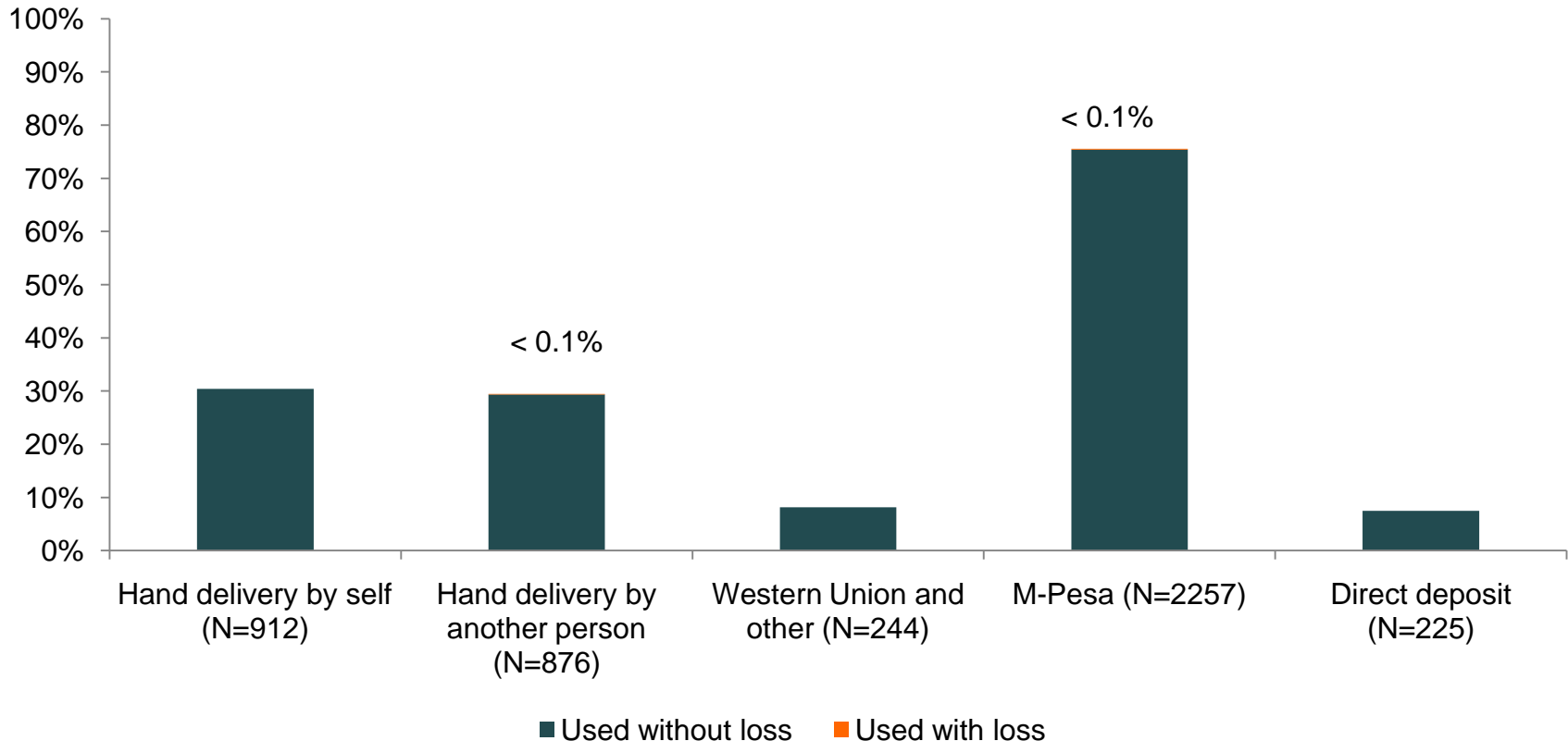**Q: How much does it cost to withdraw 1000 KSh sent to you by a registered user?**
% of sample
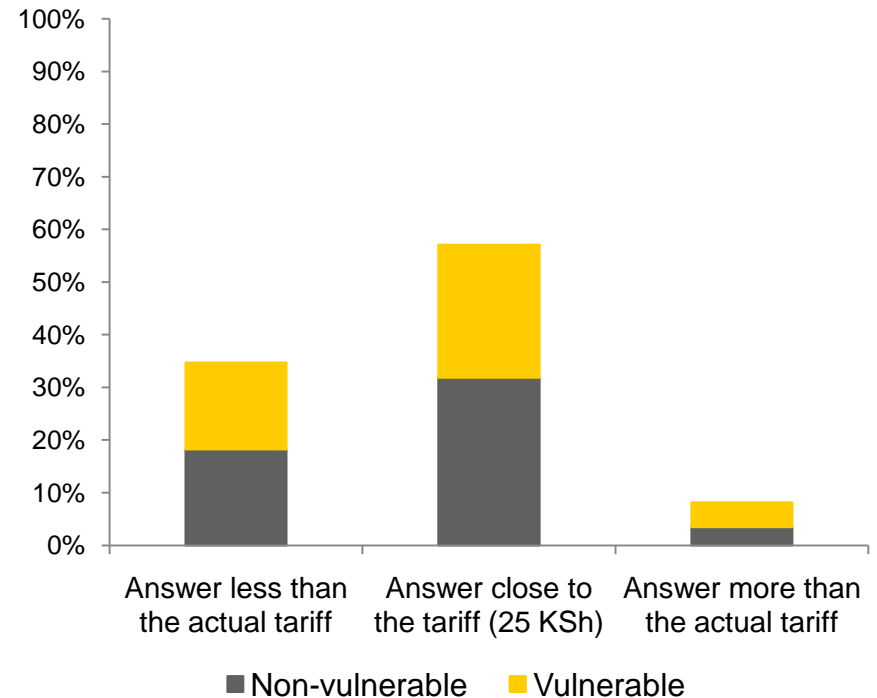
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Methods of sending remittances
% of users who used method for sending remittances (% losses noted above)

Legend: ■ Used without loss ■ Used with loss

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Methods of receiving remittances
% of users who used method for receiving remittances (% losses noted above)
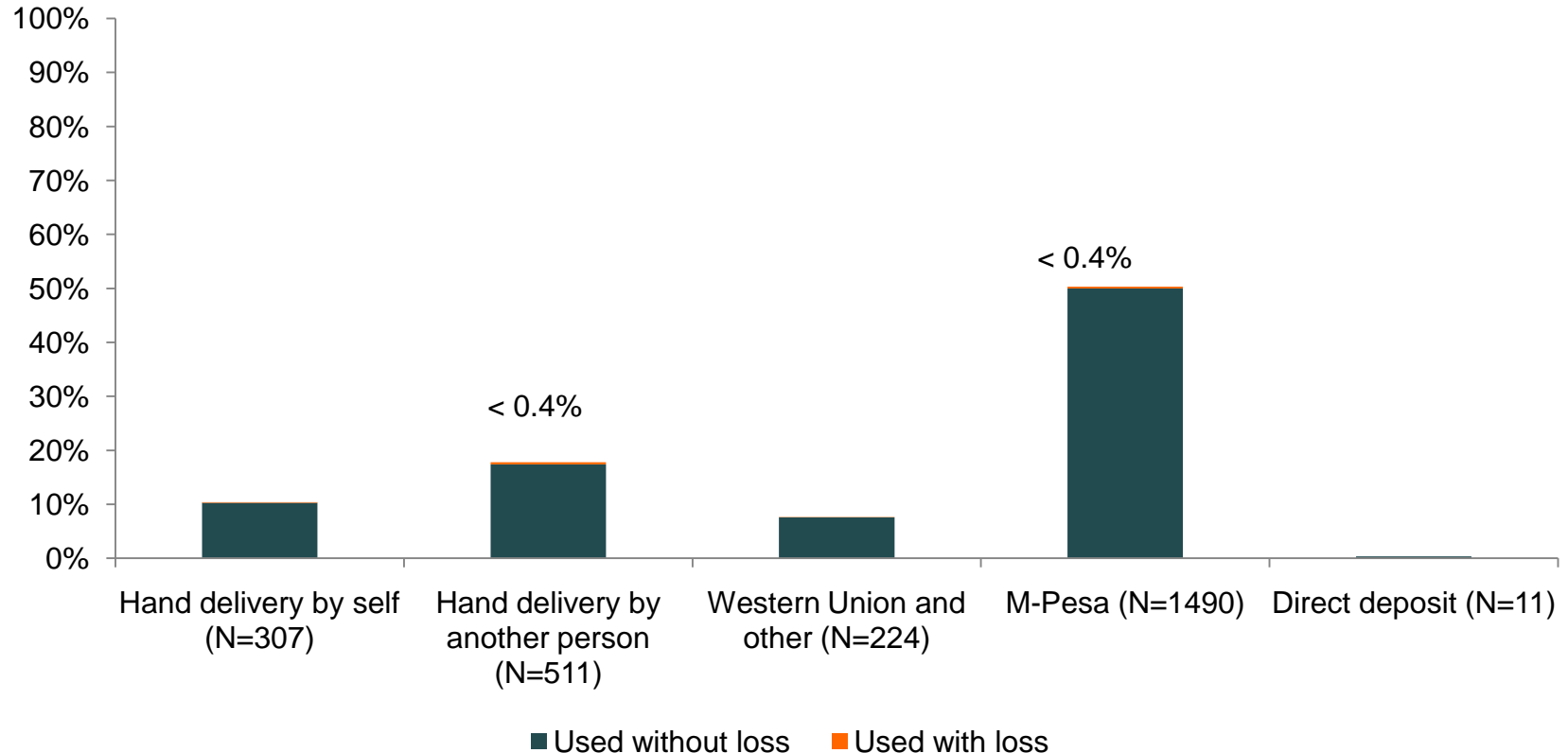
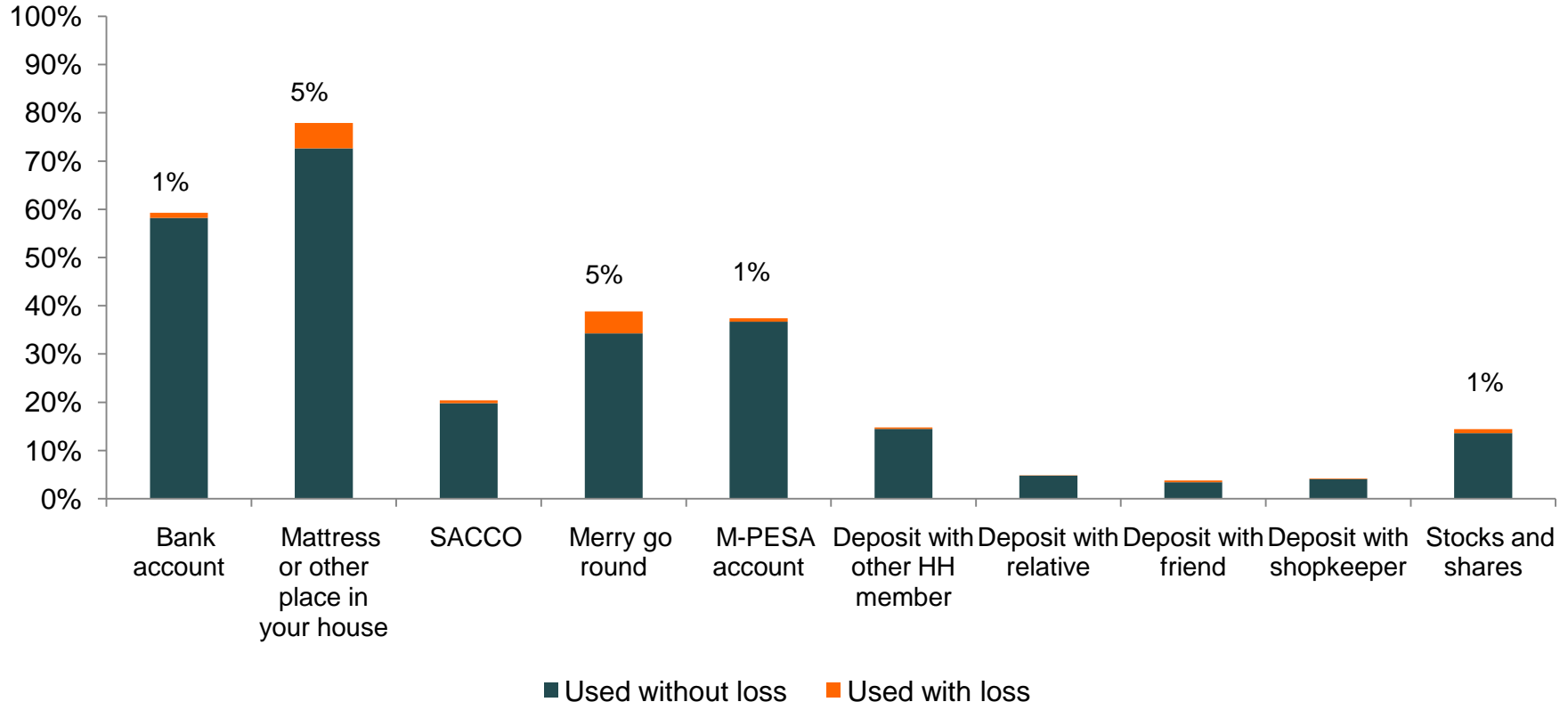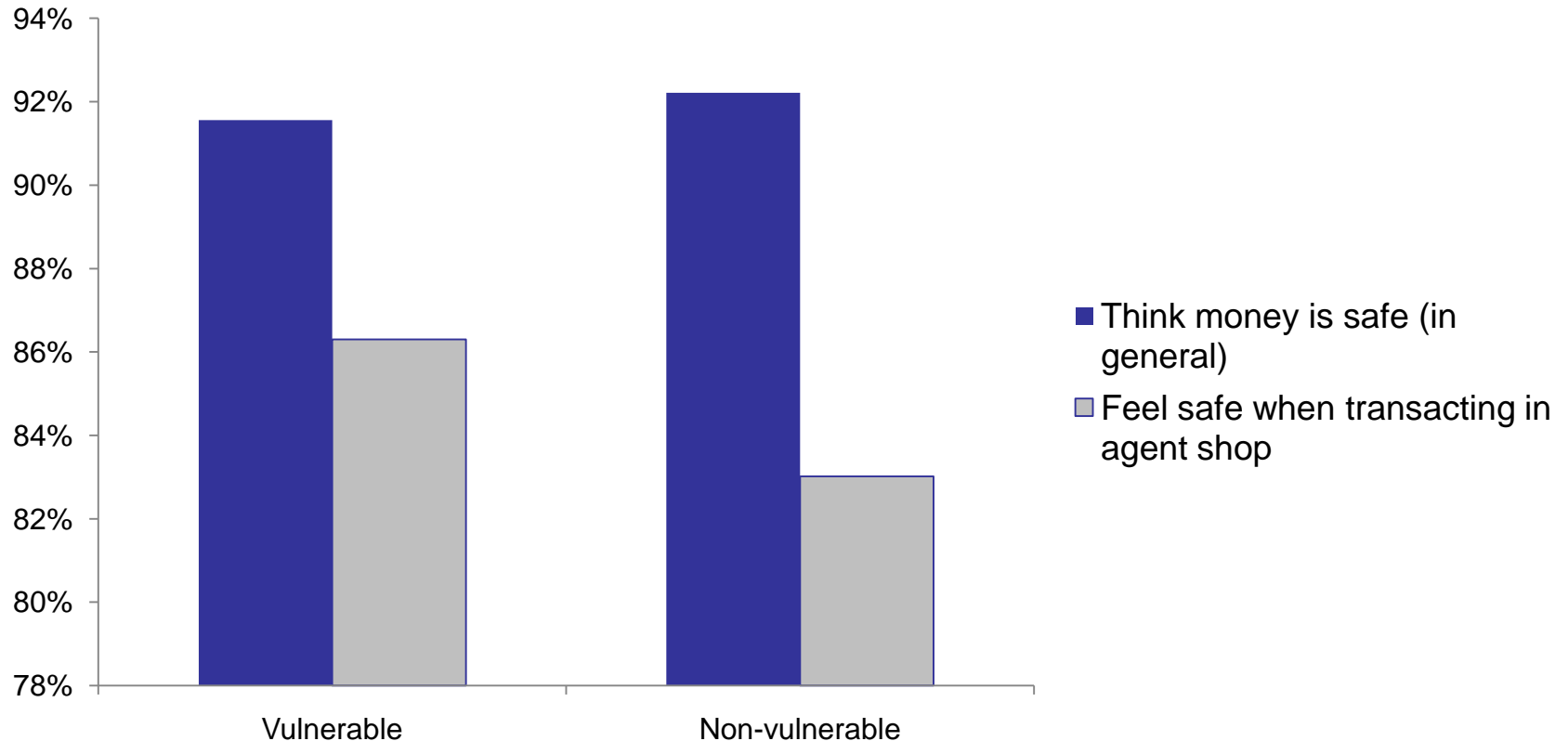**Windsor III Global Leadership Seminar on Regulating Branchless Banking**

25

Methods of Savings
% of users who used method for saving (% losses noted above)

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The majority of vulnerable and non-vulnerable respondents alike feel that their money is or would be safe with M-Pesa

Legend:
- ■ Think money is safe (in general)
- ☐ Feel safe when transacting in agent shop

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Key takeaways for M-Pesa and what information is still missing

What we know

- Incidence of problem is low across all channels

- M-Pesa tariffs appear to be clear enough that people understand what they are paying.

What is missing

- We don't have information for problems that go beyond outright loss and prices.

- We are missing Level 3 and 4 information – what do people do when things go wrong?

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