SEGMENTING LOW-INCOME CLUSTER FOR DIGITAL PAYMENT SOLUTIONS
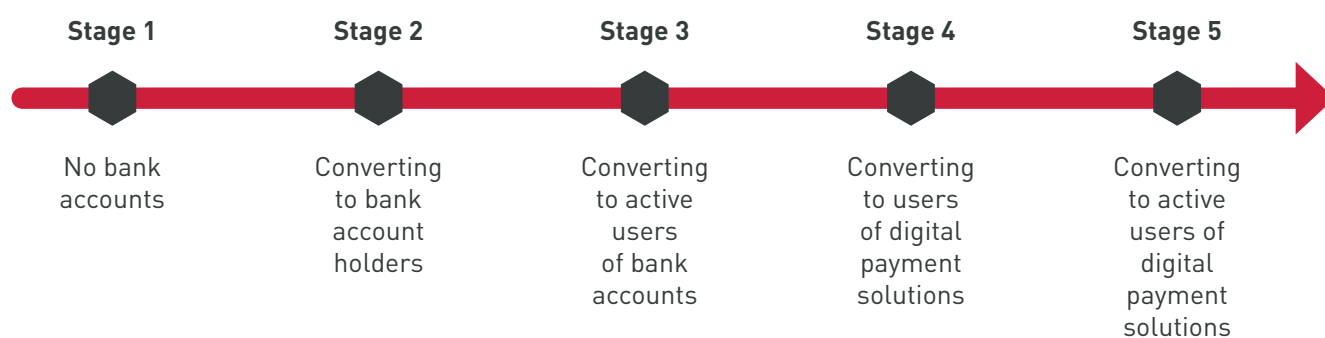
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This learning note is the first instalment in a three-part series that explores the challenges and opportunities in the digitization of urban slum cluster.

Background

Recognizing the critical role digital payments can play in deepening financial inclusion, Catalyst, a user-centric 'digital finance innovation platform' for the underserved last mile has rolled out multiple initiatives to help small business ecosystems (i.e. merchants, consumers, suppliers) to responsibly transition from an inefficient cash economy to digital payment platforms, using a targeted ecosystem approach. In collaboration with a mix of public and private partners, this multi-stage initiative includes, among other things, a set of research projects and operational initiatives centred on a low-income cluster, Bhatta Basti, in Jaipur City, where infrastructure and financial capabilities are lower while the role of informal community institutions is stronger. Our holistic approach towards going digital focuses on bringing low-income individuals from poor households onto the formal banking system, promoting active bank usage and providing handholding support to early adopters of digital payment solutions.

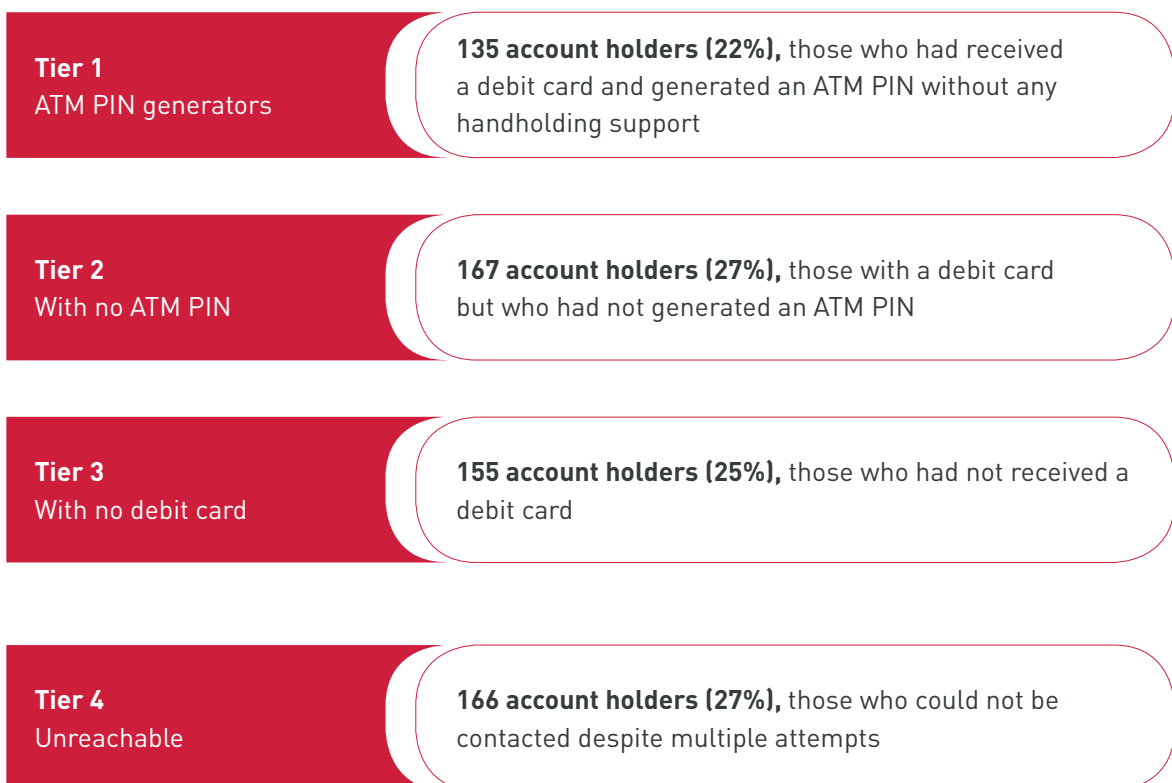| Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
No bank accounts	Converting to bank account holders	Converting to active users of bank accounts	Converting to users of digital payment solutions	Converting to active users of digital payment solutions

Our initial months were geared towards bringing low-income individuals from ultra-poor households onto the formal banking system and promoting active banking among them. By June 2018, along with our account opening implementing partner FIA Technology Partners, we had facilitated several account opening camps and opened accounts of 619 individuals. Since August 2018, we began the process of converting these account holders to users of digital payments and solutions.

The process of segmenting account holders

We called 619 account holders whose bank accounts were opened prior to June 2018 with objectives to understand account holders' access to debit cards and smartphones. Our hypotheses as of August 2018 were that all 619 account holders should have received their debit cards; they should have generated the ATM PIN; and their bank-registered mobile number should have been active.

The study indicated only 22% of account holders had a PIN generated ATM card; 27% had received the ATM card but not generated a PIN; 25% had not received their ATM card; and 27% had already changed their mobile number and we were not able to reach them despite multiple attempts.

The above-mentioned results helped us divide our base into four tiers – each tier had account holders that were similar in specific ways as explained below.

Tier 1
ATM PIN generators

135 account holders (22%), those who had received a debit card and generated an ATM PIN without any handholding support

Tier 2
With no ATM PIN

167 account holders (27%), those with a debit card but who had not generated an ATM PIN

Tier 3
With no debit card

155 account holders (25%), those who had not received a debit card

Tier 4
Unreachable

166 account holders (27%), those who could not be contacted despite multiple attempts

Learning 1: Frequently changing mobile numbers have a significant impact on financial inclusion

We observed few trends in Bhatta Basti regarding usage of mobile numbers; mobile phone numbers are frequently changed due to network problems, insufficient funds in their mobile account and new plans offered by different service providers. For example, residents suggested some SIM cards did not have the ability to pick up mobile data signals in Bhatta Basti, hence, they upgraded to a better SIM card, which resulted in their receiving a new phone number.

Implications: If a mobile number registered with the bank account is already changed prior to the arrival of the debit card, the account holder cannot generate a PIN unless he/she visits the bank branch to change/update his/her mobile number. Likewise, Unified Payment Interface (UPI) on-boarding is not possible for smartphone owners if his/her SIM card is not registered with the bank account as he/she cannot receive interoperable OTP (One-time Password) to activate the UPI account.

Learning 2: Many zero balance account holders do not receive their debit card

At the time of the interview, 155 account holders (25%) reported not receiving their debit card. They were either waiting for the card or they had not collected it from the Customer Service Point (CSP). Only 58 of them (37% of 155 account holders) reported enquiring with the CSP or nearby bank branch.

Implications: POS, online banking or UPI on-boarding is not possible without a debit card

Learning 3: Many are not aware of how to generate an atm pin despite having a debit card

Amongst these 619 account holders, 167 account holders (27%) reported not generating an ATM PIN despite collecting the card. When probed, 34% of these 167 account holders reported failure of the ATM machine when they tried to generate a PIN; 31% did not see value in generating a PIN due to lack of savings and fear of safety; and 29% were not aware of the procedure. This result indicates that perceived risk, complexity, lack of knowledge and fear of safety and confidentiality are the major factors that discourage the use of ATMs.

Implications: Internet banking, ATM withdrawals, or any other digital transactions using a debit card are not possible without an ATM PIN.

Account holders' attitudes towards debit cards

We conducted qualitative interviews with eight to ten account holders from each tier. The interaction focused on their attitudes towards banking services, in particular, debit cards. Below are the highlights of the interviews, which helped us identify their outlook and plan distinct interventions for each tier.

Attitudes towards ATMs

Tier 1
Proactive about visiting CSPs to collect the debit card and generate PIN on their own.

- Perceived location and round the clock availability of ATMs are convenient.
- Did not perceive queue at ATM as problematic compared to dealing with queue in bank branch.
- Perceived debit card essential for transactions, particularly withdrawal of cash.

Tier 2
Collected debit card from CSPs but have not generated ATM PIN.

- They did not have any experience using any banking services, including ATMs.
- Women perceived the location of ATMs not accessible (on average, the closest ATM is 2 km away from Bhatta Basti).
- Concern about the security of using ATM card.
- Some tried to generate an ATM PIN but failed and they perceived generating an ATM PIN as a daunting and complex task.

Tier 3
Not received the debit card.

- Some of them were waiting for their card.
- Most of the account holders in this tier showed frustration about not receiving the debit card despite opening an account.
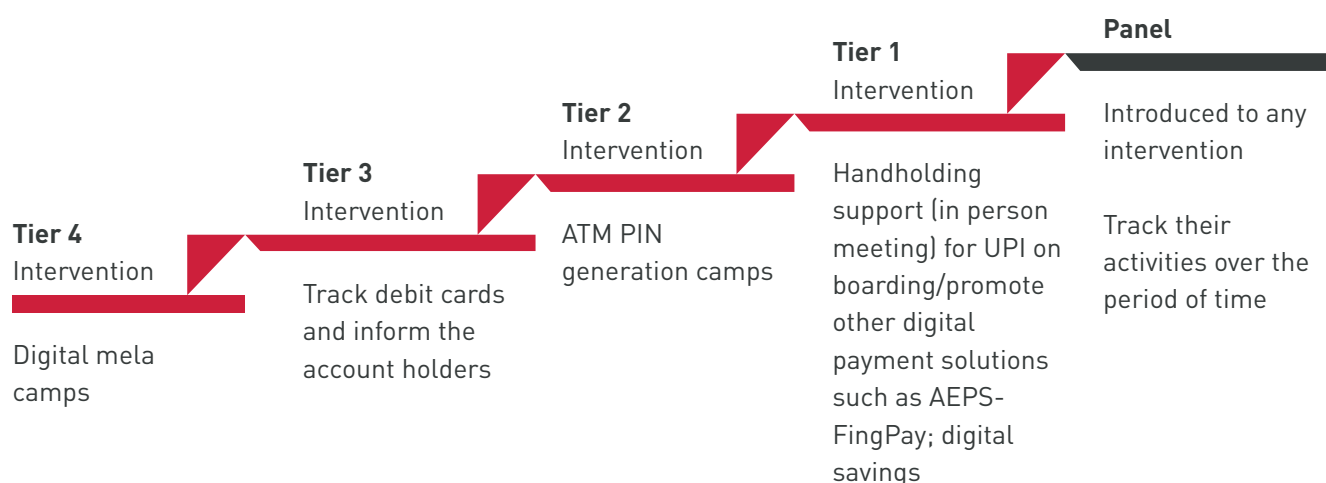
Tier 4
Not able to reach them due to change in mobile number.

- Not applicable

Discovering early adopters

After differentiating account holders by their behaviours and the drivers behind them, we took the action needed in response to a tier-based intervention instead of 'one-size-fits-all' approach.

We designed the following intervention model ensuring each tier was covered, nonetheless, our focus was to provide handholding support to Tier 1 account holders as they were proactive about adopting debit cards without any external support and had positive attitudes towards technology used in banking. Our goal was to discover 'early adopters' amongst them, who are excited by the possibilities of new ideas and new ways of doing digital transactions.

Panel

Introduced to any intervention

Track their activities over the period of time

Tier 1
Intervention

Handholding support (in person meeting) for UPI on boarding/promote other digital payment solutions such as AEPS-FingPay; digital savings

Tier 2
Intervention

ATM PIN generation camps

Tier 3
Intervention

Track debit cards and inform the account holders

Tier 4
Intervention

Digital mela camps

We adopted a one-to-one permission marketing strategy emphasizing on personalized interactions with 135 account holders. The prospect explicitly agreed in advance for the visit (they were provided with an option to opt-out at any point). Initial reaction was inspiring as three out of four account holders agreed to learn about UPI digital payment solutions from us.

Advantages of in person handholding support

- High conversion rate because of high customer attention as message was customized and persuasive.
- Helpful in identifying different use cases. For example, we learned that ability to instantly recharge mobile phone was the most attractive feature of UPI applications for many account holders.
- Since we were interacting directly with account holders, apart from receiving a direct line of feedback from the account holders, we were able to track issues straightaway, which helped us address issues quickly. For example, other members of the household using the mobile number of the head of the household at the time of the account opening was found in many cases. In such a case, if the head of the household wants to register for UPI linked with a particular bank, he is not allowed given that the bank record shows the same mobile number registered for multiple account holders. We recommended account holders visit the nearby bank branch and update their account with their new mobile number; and informed the banking agent to encourage residents of Bhatta Basti to provide unique mobile number for new bank accounts, if possible.
- The approach was also effective in developing the relationship with identified innovators.

Challenges faced during handholding process

- The process was labour intensive and had a high cost (five field staff for approximately 30 business days to visit 101 account holders).

- The process was time consuming. On average, a field staff spent two hours introducing the features, convincing the account holders to use the applications, downloading and registering the UPI app. Since we focused on our list of 135 account holders only (and did not go off of the list), field staff had to take several visits to complete one on-boarding.

- Direct approach was also perceived as inconvenient or obtrusive for some account holders due to cultural sensitivity. Our field team appeared at times that were inconvenient for female account holders. For example, when any account belonged to a woman or a young child, we had to wait for the head of the household to return home as their presence was mandatory because of the nature of the transaction-related conversation.

Concluding remarks

The task of getting new account holders on board for digital payment requires the highest degree of handholding support through the onboarding process. For example, less tech-savvy users struggle at different stages with the onboarding process of any UPI application and are tripped up by the jargon such as "UPI PIN", "VPA". Hence, there is a clear need for greater guidance and handholding through the on-boarding process and in helping an account holder make the first transaction. Nevertheless, providing handholding support to everyone is not possible.

Therefore, it is important to break down the market into specific, targetable segments. In our case, we used the account holders' access to debit card and attitude towards banking technology as a basis for segmentation. The majority of (more than 75%) account holders did not have a PIN generated debit card; there were only 135 individuals who had collected their debit card and visited the nearby bank branch that is approximately 2 KM away to generate PIN on their own. Instead of targeting all 619 individuals, which would have been an expensive and ineffective exercise, we created a list of 135 tier 1 individuals and reached out to them, who reciprocated positively.

Our biggest learning from this exercise was such a mechanism allowed us to precisely identify early adopters of UPI applications and, we were able to contact them with specific needs. This was also the best way for us to use our resources more effectively and make better strategic marketing decisions to convert early adopters to influencers in the community. For example, our experience on UPI on-boarding (detailed information will be covered in subsequent learning notes) indicated that the early adopters have huge potential to act as ambassadors for other segments to drive adoption of digital payment solutions if provided with enough support and followed up regularly. With the early adopters, this segment has potential to act as ambassadors for other segments and this should be therefore considered as one of the most important factors to determine the usability and sustainability of making transactions digitally in a low-income community. We observed some early adopters were proactive about informing their friends about UPI applications in order to onboard them so that early adopters could take advantage of cashback offers offered by some of the financial service providers for referrals.

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