Testing IVRS as a tool to promote digital payment adoption among micro and small merchants

Digital financial services in India have the potential to deliver timely and relevant products to low-income unbanked and underbanked populations. The uptake in mobile phone ownership, along with rapid advances in digital payment systems, is creating opportunities to connect poor households to affordable and reliable financial tools through mobile phones, and other digital interfaces. However, there are numerous hurdles — regulatory, geographic, sociocultural, infrastructural — for cashless interventions and, as a result, reaching the last mile user has always been a challenge.

CATALYST has been working to promote adoption and usage of digital payment solutions by micro merchant communities including government to people (G2P) services, dairy booths, kirana stores, and others. One of the major barriers to adoption and usage of digital payments is the lack of proper knowledge associated with the payment solutions. In a recent study conducted by CATALYST in partnership with PRICE, 42 percent of the fixed store merchants interviewed cited lack of awareness of digital payments as a barrier to adoption. Digital payments in India are complex in terms of understanding of the technology, which has undergone significant flux as well as regulatory changes (e.g., pricing, customer protection). It is therefore important to dispel doubts and fears that merchants and customers have on digital money and the security of their transactions.

In pursuit of a sustainable and scalable model to spread awareness on digital payments and to equip merchants to make informed choices, CATALYST tested a dedicated Interactive Voice Response System (IVRS) platform for small merchants. The objective was to build a financial literacy platform that seamlessly overcomes the constraints of literacy, regional differences, and the needs and costs of in-person counsel and training.

Evolution from IVRS 1.0 to IVRS 2.0

Initially, CATALYST partnered with a vendor to build an IVRS to provide information on digital payment methods to small merchants. IVRS 1.0 covered multiple payment types which included mobile-based payment options such as Wallets, Unified Payments Interface (UPI) and Unstructured Supplementary Service Data (USSD) as well card-based payment solutions such as Point of Sale (PoS) devices, mobile PoS (m-PoS) and Bharat QR. The IVRS featured information such as the onboarding process, cost of ownership and payment completion process for each of the payment types. The goal of developing the IVRS was to provide an alternative channel for small merchants who do not typically use a smartphones to access information on digital payments.

Thirty-five merchant interviews were conducted in targeted areas across Jaipur, Delhi and Gurugram. In this phase, a mixed sample of 15 fixed store merchants, 10 roving merchants, four home-based business owners, and six merchants from federated networks such as eMitra and dairy were interviewed.

While the value of the platform as a tool was revealed to be high, its usability was low. Some of the learnings from beta testing of IVRS 1.0 were:

Learnings from the testing of IVRS 1.0:
1. Technical challenges with IVRS 1.0:

    a. Several merchants were unable to place the call; some due to general reluctance and distrust, others due to no call balance or network. However, most merchants faced technical problems with the IVRS platform which would either be unavailable or not respond to the missed call placed by merchants.

    b. Testing was conducted in Delhi/NCR and Jaipur. However, the call received on giving a missed call was from a number from Ahmedabad (as the platform was set up by an agency based in Ahmedabad) and, in conjunction with the unfamiliar-looking number, it gave the impression of being a spam/fraud call.

2. Merchants felt that they required more in-depth information than merely on requisite digital payment solution options and registration steps to make informed decisions. For example, they would welcome information on money workflow, payment settlement terms, comparison between different payment types, additional layers on bank account set up and linkages, and advice on how to choose between different digital payment options.

3. Also evident was that the IVRS' usability needed to be improved through simpler navigation, and options to repeat information rather than an abrupt end to the call.

Based on the learnings from IVRS 1.0, it was evident that the IVRS needed a script/content overhaul, basic on-ground marketing support, and a new navigation to highlight content branches as stand-alone repositories of information on various digital payment types. It required modifications to create a more holistic information dissemination platform to aid the decision making process for the listener.

The information framework for building IVRS 2.0 was divided into three layers:
» **First layer:** Information on payment types based on form, i.e., mobile-based payment solutions (Wallets/UPI/USSD), card-based payment solutions (PoS/m-PoS/Bharat QR) as well as new-age solutions such as Aadhaar Pay and aggregator solutions which accept payments from all payment options, whether card- or mobile- or Aadhaar-based.

» **Second layer:** Highlighting the similarities and key differences between payment solution types within the pool of mobile-based and card-based payment solutions.

» **Third layer:** Important technical information such as onboarding steps, how to accept payment from customers, payment settlement and payment confirmation. This layer also had a provision for merchants to express their interest in the digital payment solution of their choice to get connected with relevant service providers.

The deployment was an additional opportunity to test the efficacy of the value provision and delivery of the IVRS to all targeted merchant segments. The study sought to measure the following:

1. The level of interest or curiosity regarding digital payments and digital payment solutions per segment on a platform such as IVRS.

2. The value/benefit acquired (post-call) by the merchants.

3. Opinions and feedback on delivery of information (appropriate coverage of solution types), delivery medium, information structure (SMS link or follow-up email/call).

4. Any key points of interest or knowledge to explore and add to the platform, for example, new payment solutions.

Target merchant segments

As phase 2, CATALYST developed a dedicated IVRS platform with a different vendor in partnership with the Government of Rajasthan to incorporate learnings from the testing of IVRS 1.0. The major objectives of the new IVRS platform were to:

1. Improve awareness/literacy: disseminate awareness about the benefits of digital payments; and familiarize merchants with different types of payment options, ways to sign up as well as the pros and cons of each.

2. Generate leads: identify interest from merchants about different solution types and generate leads for solution providers (such as wallet companies, banks, fintech players, etc.).

IVRS 2.0 was deployed in partner ecosystems where CATALYST is functioning in Jaipur, namely:

• Top 500 eMitra entrepreneurs based in Jaipur;

• Dairy retailer network of the onboarded distributor(s) of the dairy digitization project; and

• Retailer network of the onboarded pharma distributors of the pharma digitization project.

Learnings from the field (themes and learnings)

1. **Low trust in automated mechanisms (vs. human interventions):** During interactions, merchants emphasized that they receive information on digital payment from bank representatives. Merchants frequently talk to these representatives and, as a result, place a certain degree of trust in them. Merchants also unequivocally stated that a customer support team on the back-end could make IVRS more useful so that they could get their doubts cleared and queries answered by the customer support team. Currently IVRS 2.0 does not have this feature.

2. **Complexity of digital payment solutions:** Merchants felt that the length and breadth of information on IVRS 2.0 covers all the requisite nuances that govern the choices to be made by them before adopting a digital payment option. However, they felt that they did not have the bandwidth to listen to such as lengthy call; that there would be information drop-offs, given the volume of information. They would be happier with a hardcopy or a visual aid or webpage which can compare various solutions for ease of access and understanding.

3. **Closing the 'Awareness to Adoption' loop:** Converting awareness on digital payments to action (exploring payment modes for adoption, and so on) is one of the most important levers for expanding the reach of digital payments into the low-income merchant community. Merchants felt that lead generation could prove to be beneficial, as there was no other such service available. It helps them to act on the information and adopt a solution of their choice at their own convenience, which is a huge advantage. Merchants further emphasized that they listen to such information and then forget it when there is no actionable at the end. However, with the lead generation layer, the knowledge they acquire can be put to use instantaneously and thus was of interest to merchants.

Conclusion

During the focus group discussions with merchants, it was revealed that that the IVRS platform as a tool covers digital payments in great detail and captures all the requisite information on important decision making variables when it comes to adoption of digital payments. Merchants perceive the missed call mechanism as advantageous as it enables them to access the platform at their convenience, and find it compelling. However, given the length of the call and complexity of the information, merchants felt that they would be better served if this information was in front of them on a sheet of paper or a webpage which makes it easier to comprehend it.

Based on these interviews, while the use of IVRS during the intervention was low owing to the length and complexity of information in the calls, the efficacy of IVRS as medium – to create awareness and close the awareness to adoption loop – may be considered significant. With more tailored messaging for different merchant groups in a more crisp format that caters to relevant groups, IVRS could prove to be an effective medium.

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