

Mitigation of Consumer Risks in Digital Financial Services - Perspective from Indonesia & Beyond



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Digital Financial Services in Indonesia



Telkomsel launches T-Cash as pioneer in e-money



BRI launches Brizzi (prepaid card)

XL Tunai



Issues licences to 6 banks in the 1st half of 2015



BCA launches Flazzcard



e-Money regulation launched (11/12/PBI/2009)



Bank Mandiri launches e-Money Card



BI e-Money regulation amendment (16/8/PBI/2014). Only Book IV banks allowed to partner with unregistered entities.



Expanding rapidly. 6000 BB agents onboarded already



Dometku launched by Indosat

PermataBank launches BBM Money



Ministry of Social Affairs pilots G2P payments through e-money (Bank Mandiri and BRI participate)

Bank Mandiri launches its first prepaid GazCard, Indomaret & e-Toll card



Bank CIMB Niaga launches Rekening Ponsel



More than one million PSKS payments through Mandiri e-cash in partnership with post office

Leading MNOs (Telkomsel, Indosat, XL) launch e-money interoperability for money transfer.



Bank Mandiri (soft) launches e-Cash (mobile-phone based e-money service)

BI conducts DFS pilot (May –Nov) with five banks i.e Bank Mandiri, BRI, BTPN, BSHB, CIMB Niaga.

BRI launches T-Bank (mobile-phone based e-money service)



Key Risks Identified

Following are the key risks identified based on our work with various providers in Indonesia

Low Customer Awareness

Poor Customer Experience

Poor Quality of Agents

Remote Transactions in the Absence of Customers

Liquidity Management Issues

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Risk 1: Low Customer Awareness

- Customer Awareness about digital financial services, products and related fees/charges is extremely low
- Overcharging of customers by the agents

Stage of Deployment →	Growth	Growth	Early	Growth	Mature	Growth	Mature	Mature
Country →	Bangladesh	India	Indonesia	Pakistan	Kenya	Nigeria	Tanzania	Uganda
Awareness of MM	64%	13%	3%	76%	68%	12%	73%	91%
Have Ever Used MM	22%	0.30%	0.10%	7.10%	76%	0.30%	48%	43%
Active MM User (90 days)	18%	0.20%	0.10%	5.50%	68%	0.00%	41%	37%
Registered MM User	3.40%	0.20%	0.10%	0.40%	68%	0.10%	44%	29%
Registered Active MM User	2.80%	0.10%	0.10%	0.40%	62%	0.10%	38%	26%

Recommendations

Regulator:

- **Allocate resources** for financial inclusion/awareness related activities
- Coordinate closely with the stakeholders on customer awareness campaigns

Provider:

- **Social Media:** Key tool for FE/FL
- **BTL:** Compulsory display of product, fee/charges, complaint/recourse mechanisms at the agent outlet



Financial Inclusion Fund – RBI*



- **Financial inclusion fund (FIF):** Corpus of ~ USD 298.17 million
- **Objectives:** Support “developmental and promotional activities” including creating of FI infrastructure, capacity building of stakeholders, creation of awareness etc.
- **Proposed activities:** FL training, counseling services, agent training, customer recourse
- **Eligible Institutions:**
 - Commercial banks, rural banks, cooperative banks etc
 - NGOs, SHGs, Gram panchayats etc

Consumer Financial Awareness Campaign, Cambodia#

- Consumer Financial Awareness Campaign through an integrated social media campaign
- Dual focus on both raising Social Awareness and strengthening Consumer Empowerment.
- **Facebook** as the primary campaign delivery channel



NATIONAL BANK OF CAMBODIA
Riel. Stability. Development.

* Source: <https://rbi.org.in/scripts/NotificationUser.aspx?Mode=0&Id=10074#rg1>

<http://cfi-blog.org/2015/12/08/can-facebook-spur-a-revolution-in-financial-consumer-awareness-in-cambodia/>

Low Customer Awareness

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Risk 2: Poor Customer Experience

Poor Customer Experience:

- **Customer Registration:** Account rejection, delay in activation of accounts
- **Transaction Delays:** USSD session time-outs, delay in receiving one time pass word, delay in receiving transaction notification
- **Transaction Denials:** USSD session failures, mobile/internet network failures, system downtime
- **Low Usage of Recourse Mechanisms:** Due to lack of or poorly designed recourse mechanisms



Recommendations: Customer Registration & Transactions

Regulator:

- Do away with multiple authentication for low value transaction. *India has relaxed the requirement of additional facton authentication for transactions less than INR 2,000# (~ \$ 30)*

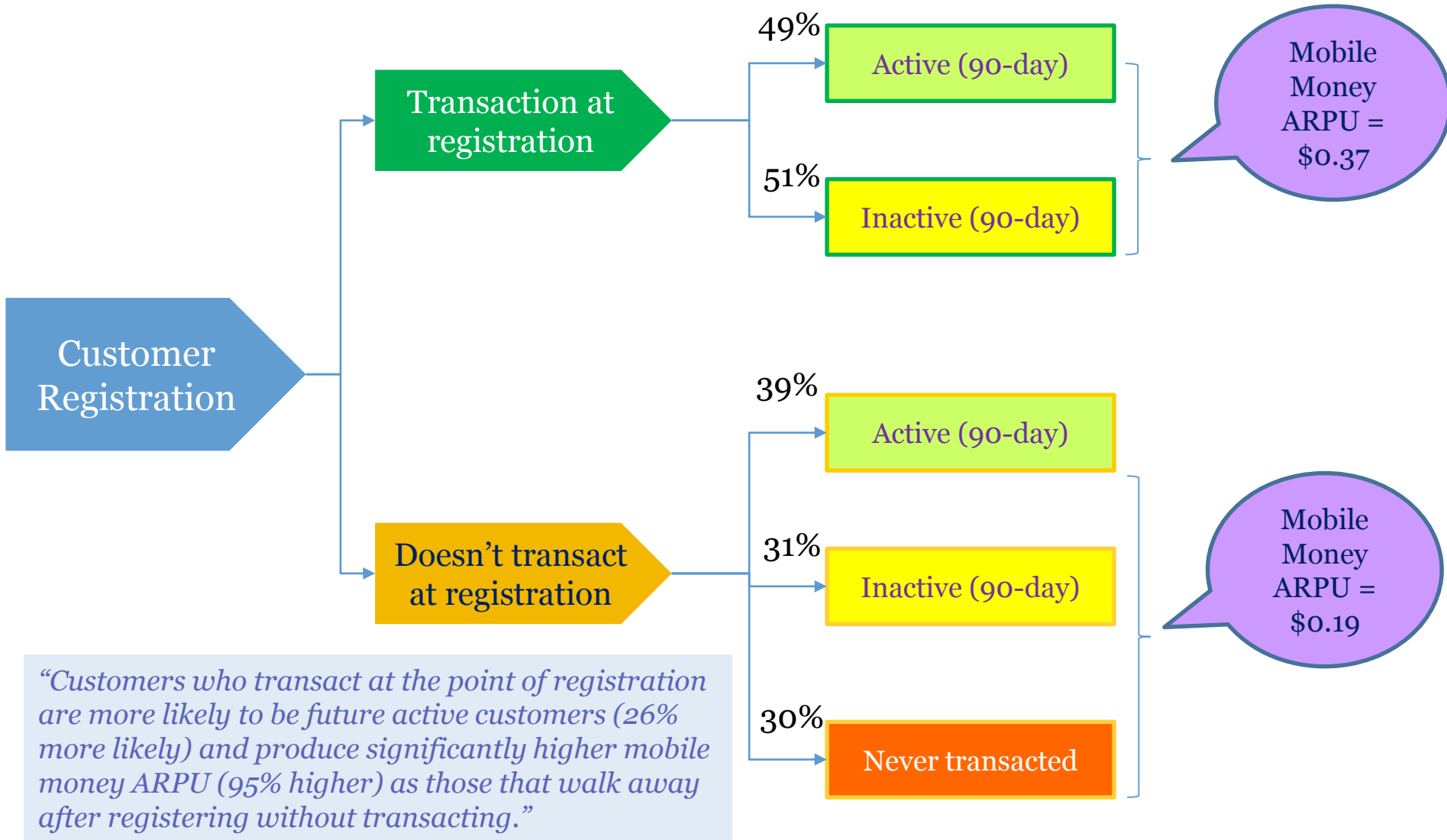
Provider:

- Activation at the time of registration
- Mobile/internet connectivity within agent's vicinity should be part of agent selection criteria
- Alternate options for withdrawal (with or without an ATM card): *SmartMoney & Gcash in Philippines, Easypaisa in Pakistan, Equity Bank, MPesa in Kenya, Mandiri e-Cash and QNB-Indosat Dompetku in Indonesia*



* Source: <http://www.gsma.com/mobilefordevelopment/the-big-payoff-getting-customers-active-at-registration>
<https://rbi.org.in/scripts/NotificationUser.aspx?Mode=0&Id=9718>

Case: Impact of Activation at The Time of Registration*



* Source: <http://www.gsma.com/mobilefordevelopment/the-big-payoff-getting-customers-active-at-registration>

Recommendations: Designing User Interface for USSD

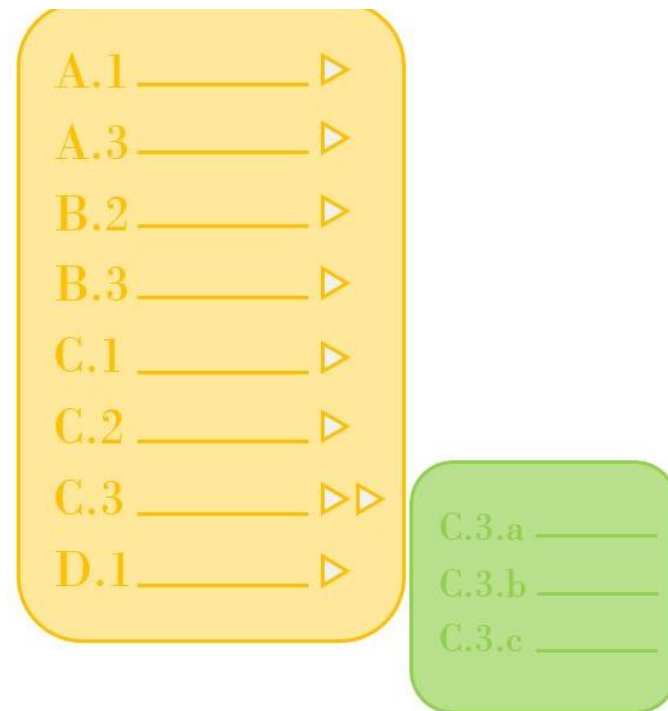
Regulator: Closely monitor for

- USSD access rights
- Abusive USSD costs
- Uniform USSD access (For example - Provider 1: *15000#1; Provider 2: *15000#2; Provider 3: *15000*3 etc.)

Provider: Things to keep in mind while designing the user interface*

- Adequate USSD session time
- Using local language and familiar/colloquial terms
- Unbundled menu (preferably limited)
- Nesting “complimentary” options
- Geography specific menu

Unbundled Menu



Recommendations: Customer Recourse Mechanisms

Regulator:

- **Dedicated desk** for complaint handling and grievance redressal mechanisms.
- Collect consumer complaints, analyse them and take appropriate follow up actions: for example: Brazil (refer next slide)

Provider:

- **Separate, toll free and dedicated call centres** for agents and customers is an absolute necessity[#]
- Ensure **prominent display** of – product info, charges, contact centre details – through banners/posters across all the agent outlets
- **Missed call service** – prominent among financial services providers across India

Customer Engagement Through “Missed Calls”

- **Missed Call service** is prominently used by banks and financial institutions in India.
- Customer calls a designated number, hangs the call and receives a call back from the number
- The service is used for balance enquiry, customer support, customer feedback on service levels, product information etc



Case: “Naming & Shaming” by Central Bank of Brazil

- Banco Central Do Brasil, the Central Bank of Brazil publishes a ranking of institutions according to the complaints received on its website (<http://www.bcb.gov.br/?RANKING>).
- The data is broken down as per relevant indicators such as
 - Ranking of banks with more than 2 million customers
 - Ranking of banks with less than 2 million customers
 - Ranking of the most frequently received complaints

Bancos e financeiras Mais de dois milhões de clientes

Bancos e financeiras Menos de dois milhões de clientes

Administradoras de consórcio (periodicidade semestral)

Reclamações mais frequentes por assunto

Dezembro/2015

Ranking de Bancos e Financeiras

Gráficos comparativos

2015 Jan Feb Mar Abr Mai Jun Jul Ago Set Out Nov Dez 2016

Imprimir

Posição	Instituição Financeira	Índice ¹	Reclamações reguladas procedentes ²	Clientes ³
1º	ITAU (conglomerado)	10,22	612	59,840,978
2º	BRADESCO (conglomerado)	8,39	647	77,025,444
3º	CAIXA ECONÔMICA FEDERAL (conglomerado)	7,89	616	78,011,557
4º	HSBC (conglomerado)	6,08	78	12,824,942
5º	SANTANDER (conglomerado)	5,76	193	33,500,961
6º	BB (conglomerado)	5,05	284	56,133,164
7º	BANRISUL (conglomerado)	3,06	12	3,917,957
8º	VOTORANTIM (conglomerado)	2,80	11	3,928,119
9º	BANCO DO NORDESTE DO BRASIL S A	0,00	0	5,165,962

- Data helps the central bank to take relevant action against the financial institutions
- Newspapers and other media generally publish these rankings – “naming & shaming” the institutions.

Low Customer Awareness

Poor Customer Experience

Poor Quality of Agents

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Risk 3: Poor Quality of Agents

Inadequate agent training
(both content and medium)
leading to low awareness
among agents and inability to
conduct transactions

Poor monitoring and
supervision by the providers

Lack of Monitoring systems*: One service provider did not have systems to monitor transactions on real time basis. Instead they generate daily transaction reports and have to look for suspicious transactions manually. As transactions increase over time, this will pose a risk to the deployment.

Recommendation: Poor Quality of Agents

Regulators: Key element to observe as part of Mystery Shopping initiative



Mystery Shopping for Financial Services*

- A tool to simulate a typical customer inquiry.
- Used to better understand:
 - **Differentiated treatment** of low-income or inexperienced consumers,
 - **Quality** of product advice, and
 - **Compliance** with consumer protection rules etc

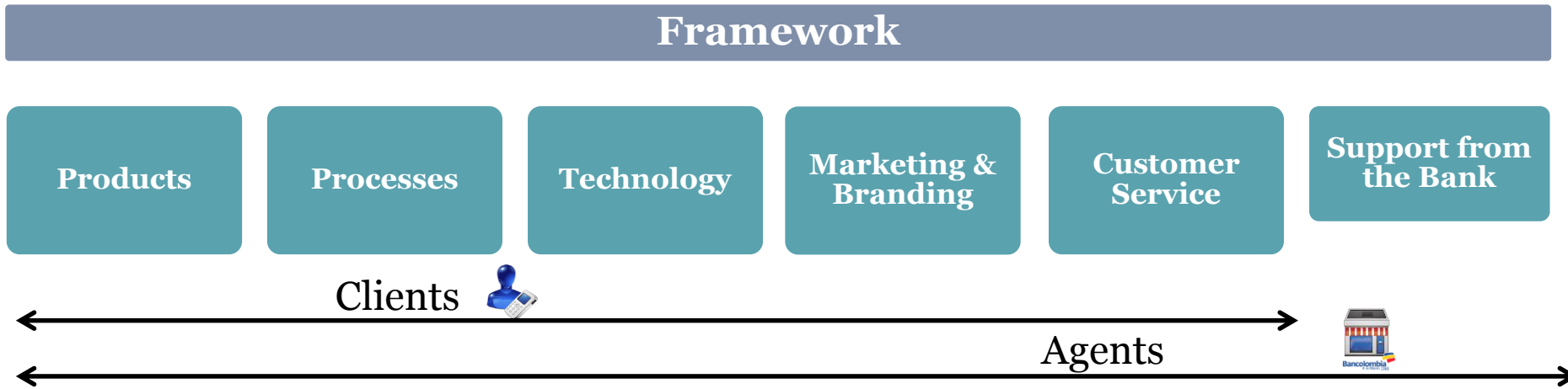
Provider

- **Key aspects to be covered in training:**
 - Agent business case,
 - Customer enrolment and KYC/AML
 - Fraud management including detection of fake IDs/money
 - Customer service
 - Security for mobile money
 - Liquidity management
- **Video training** could be a valuable training method. 52.2 million active smartphone users in Indonesia and expected to grow to 69.4 million[#]
- **Periodic customer and channel satisfaction assessments.** This should be done both by the regulator and the provider
- **Transaction monitoring and data analytics:** Have MIS dashboards on important indicators such as – Agent profile, customer enrolments, enrolments/transactions per agent, transaction rejection rates and reasons, average liquidity, agent inactivity etc.

[#]Refer to *MicroSave*'s video training for agents: <http://bit.ly/1nIF2v3>

^{*}Source: <http://www.cgap.org/publications/mystery-shopping-financial-services>

Monitoring & Supervision for Agents: CSM Design



Call-Centre Module: Research through call centre, conducted monthly. It indicates the overall health of the system but does not cover specific issues.

Temperature Check

Field Module: Field research with mix technique (qualitative and quantitative), conducted every quarter during the first year and half-yearly thereafter with a representative sample. It reveals concrete information about specific issues and suggests corrective actions.

Quick Health Check

Update Module: Qualitative field research conducted once every year to confirm the design of the modules and to make required adjustments based on the evolution of the business.

Annual Health Check

MicroSave's CSM: Customer/Channel Satisfaction Measurement

Case: National Institute for Agent Training

Regulator, in close collaboration with the DFS providers, should have a agent training institute to improve and sustain the quality of DFS agents. Following is the model we propose



National Institute for DFS Agent Training

Objective: To develop and maintain good quality agents to facilitate DFS transactions

Set-up: To be owned and operated by the DFS providers under the auspices of the Central Bank

Training Topics: KYC, due diligence & regulatory requirements; fraud, security & risk management; customer service; DFS ecosystem; Agent obligations; Liquidity etc

Training methods: In-class sessions, audio-visual (such as AM/FM radio; IVRs; YouTube; Internet; social media of mass appeal; and mobile applications) , demonstrations, expert speakers etc.

Training Benefits:

- Providers get good quality agents who adhere to regulatory requirements and seamlessly facilitate DFS transactions
- Participants get a certificate upon successful completion. This makes them eligible to become agents for any provider



Low Customer Awareness

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**Remote Transactions in the Absence
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Liquidity Management Issues

Risk 4: Remote Transactions

- Transaction happens in the absence of customer. This could be due to :
 - Mobile/internet network failure
 - Low investment in liquidity by agents
 - High trust on agents by customers
 - Agent is not available at the outlet
- Customer/non-customer can directly deposit money into any account (OTC transactions)

Recommendations

Regulator : Key element to observe as part of Mystery Shopping initiative

Provider:

- ▶ Agent should verify the identity of the depositor before conducting transactions. For example – M-PESA in Kenya and BTPN Wow in Indonesia.
- ▶ Customer awareness through SMS blasts. Key messages include :
 - Conducting transactions in the presence of the customer
 - PIN confidentiality
- ▶ Track remote transactions through field monitoring initiatives.

Low Customer Awareness

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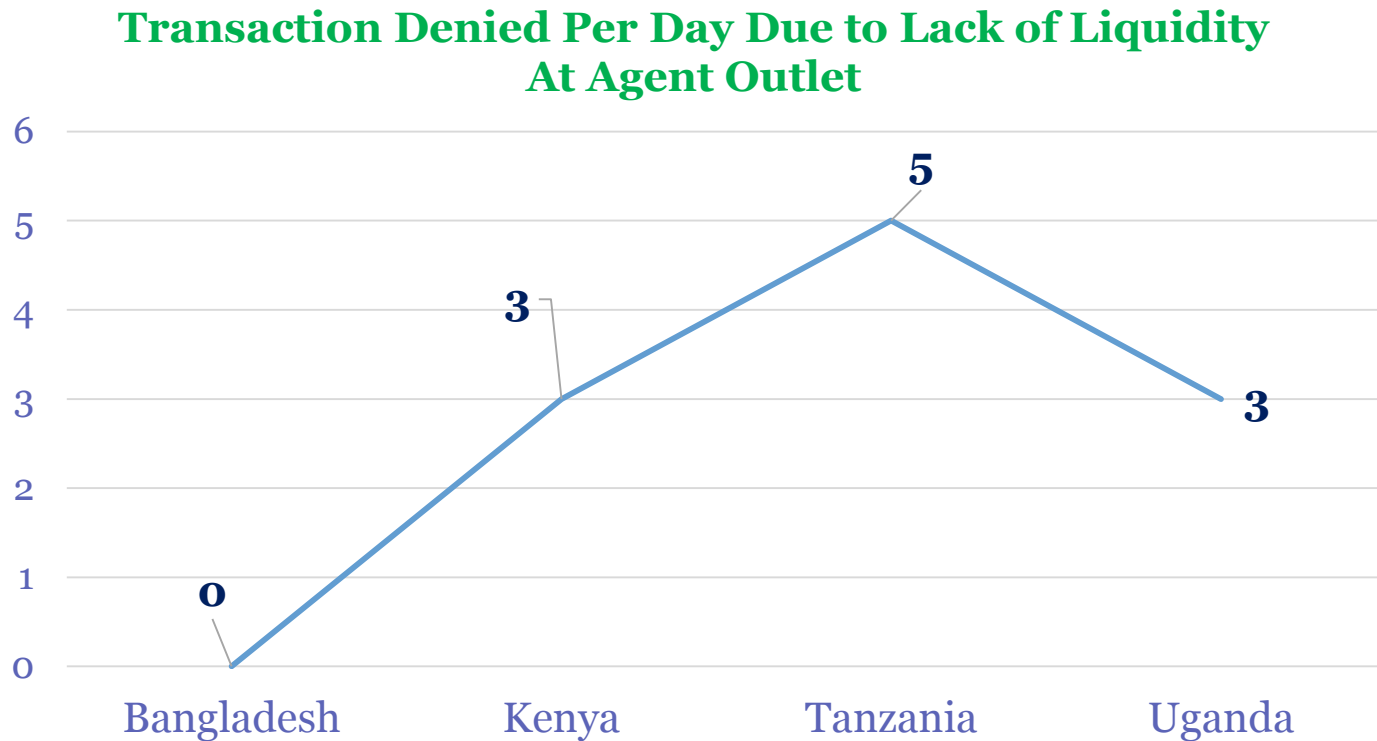
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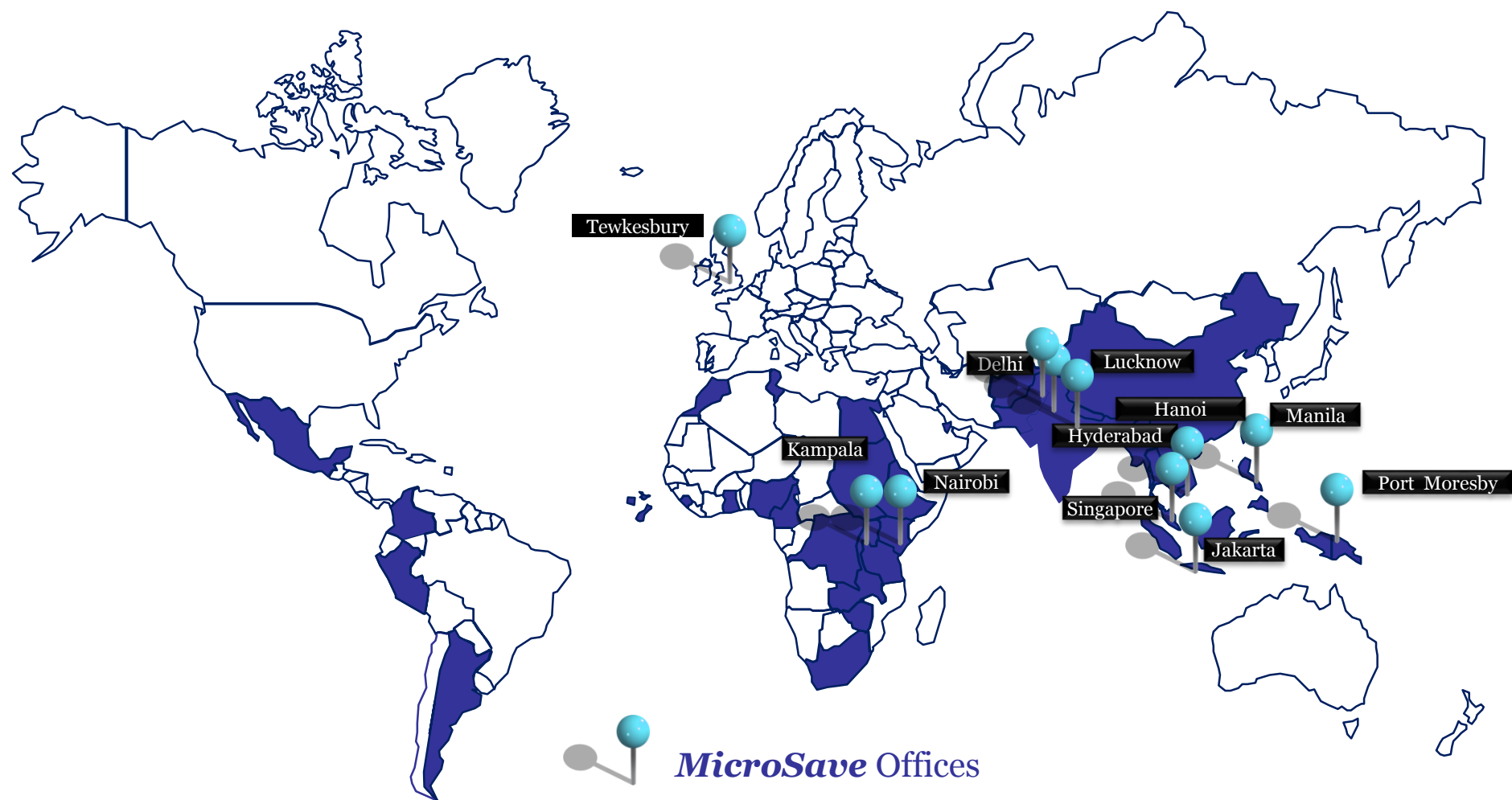
Risk 5: Liquidity Management Issues

- Agent is often unable to serve clients because of low/no e-float.
- Difficulty in liquidity rebalancing



Recommendation - Liquidity Management Issues*

- **Incentive** for keeping float, e.g. give higher interest to agent who has float (balance) more than a particular average amount.
- **Provide overdraft limits** to agents with good transaction history.
- Providing **multiple liquidity rebalancing** options for agents - through runners, bank branches, ATMs, instant transfers etc.
- **Minimum deposits for agents** which can be used as e-float.
- ANM can offer a variety of products to agents and allow the agent to maintain a **single liquidity account** to conduct all the transactions. This saves them time from juggling between accounts and reduces liquidity investment.
- ANM should **help the agents manage liquidity** according to customers need to deposit, withdraw and send value which often fluctuates (Refer to Helix Institute's blog on: [The Ebbs & Flows of Liquidity Management](#)).



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