

Choice of Channel

*Understanding how LMI women
select a channel to conduct
financial transactions*

March, 2022



About the study

Individuals choose a channel for financial transactions based on several factors beyond just the economic cost involved. Women in low-income communities may choose a channel based on the most economical choice that suits their life best, given their acute burden of unpaid care work and time poverty. It is critical to decode gendered aspects that lead women to choose their selected channel to help build their financial resilience.

MSC's DEBIT framework helps us understand which channel the individual chooses and why. It is a tool that identifies these factors and helps compute comparative scores for each channel for each individual. Comparing the DEBIT scores helps us identify actions that stakeholders like governments and financial service providers can undertake to help women have a wider range of channels to choose from.

We will develop DEBIT values for more personas of women across countries in the next phase of the study.



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We spoke to Shanta and 35 more LMI women like her in semi-urban locations across Bangladesh and India to map their journeys when they use a financial service



Meet the user:
Shanta

Shanta is a 37-year-old married woman with two children. She lives in a semi-urban location in Delhi.

She completed high school and runs a tailoring business. She is also the proud owner of a smartphone but uses it mainly for calling. She earns around INR 6,000 per month.

Shanta is active yet cautious and a family-oriented woman. One of her primary financial objectives is to save for her children's education and secure her family's future.

She opened a bank account 15 years ago but has not been a regular user.

Though the bank is far away, I am comfortable with travelling the distance and depositing my money there since my husband and friends know more about that channel and can help me out. Going to the BC agent seems daunting...

- **Shanta**

Shanta's choice of channel might not be the most economically rational...

Shanta consciously decides to go to the bank to deposit her savings, despite having a CICO point and an ATM close to her house; she prefers the bank despite her not-so-positive experiences there

Realization of need for financial service	Choice of channel	Travel to channel	Experience at channel	Post experience
 <p>After opening her savings account, Shanta wanted to save for her son's education and family's future. She decided with her husband to open a recurring deposit account since it gave her the option to save consistently.</p>	<p>She knows of three channels for depositing money—the bank, ATM, and CICO agent. For her, the bank is the farthest and most expensive option in terms of time, and money spent. The ATM is the closest, followed by the CICO agent. However, she chooses the bank as her preferred channel. Her husband and friends reinforce the trust she has in the bank as an institution. They also offer support to her in case she wishes to transact at the bank. These forces are enough to help overcome the perceived loss that she feels she will incur while transacting at the bank.</p>	<p>She travels to the bank by spending 15 mins and INR 20 (USD 0.285)* one-side. She specifically goes to the bank along with her neighborhood friends so that she can get help at the bank should something go wrong.</p>	<p>The bank staff at the counter informs Shanta, but she cannot cope and feels lost. She takes help from her friend and the bank clerk.</p>	<p>She subsequently feels more confident to travel to the bank with her friends that give her company</p>
 <p>Low awareness of alternative saving products available</p>	<p>Under-confident in using any of the channels alone</p>	<p>Substantial time and money lost</p>	<p>Lost confidence</p>	<p>Seeks assistance</p>
 <p>Self-motivated to save in formal financial services</p>	<p>Aware of all the channels</p>	<p>Anchor overrides the monetary loss</p>	<p>Receives proof of main transaction, which reinforces trust</p>	<p>Becomes regular with her deposits</p>

 Red flags depict risks and vulnerabilities along the journey

 Green flags depict opportunities and motivations

*Exchange rate used : 1 USD = INR 70

...yet many women like her do not choose DFS even if they expand the bouquet of financial services they access

DFS is considered as a catalyst for women's economic empowerment. This is based on the premise that it can potentially allow women to transact with high privacy and at the lowest cost—(including opportunity cost) in terms of time and money spent.

While DFS offers many gains and alleviates women's agency to be financially empowered and independent...

For example

Mobile wallet allowed me to pay my son's rent to the landlord on time during the lockdown as none of us could travel from the village to the city



Benefits

- Faster transactions
- Reduced cost of travel or opportunity cost
- Enhanced access
- More transparent
- More convenient

....adopting DFS might not always be the most intuitive choice for women, despite it being a rational choice from an economic sense

For example

Even though the agent point is closer to me than the bank, I still go to the bank to deposit my money as I have heard of several incidents of fraud at the agent point from my friends and SHG members



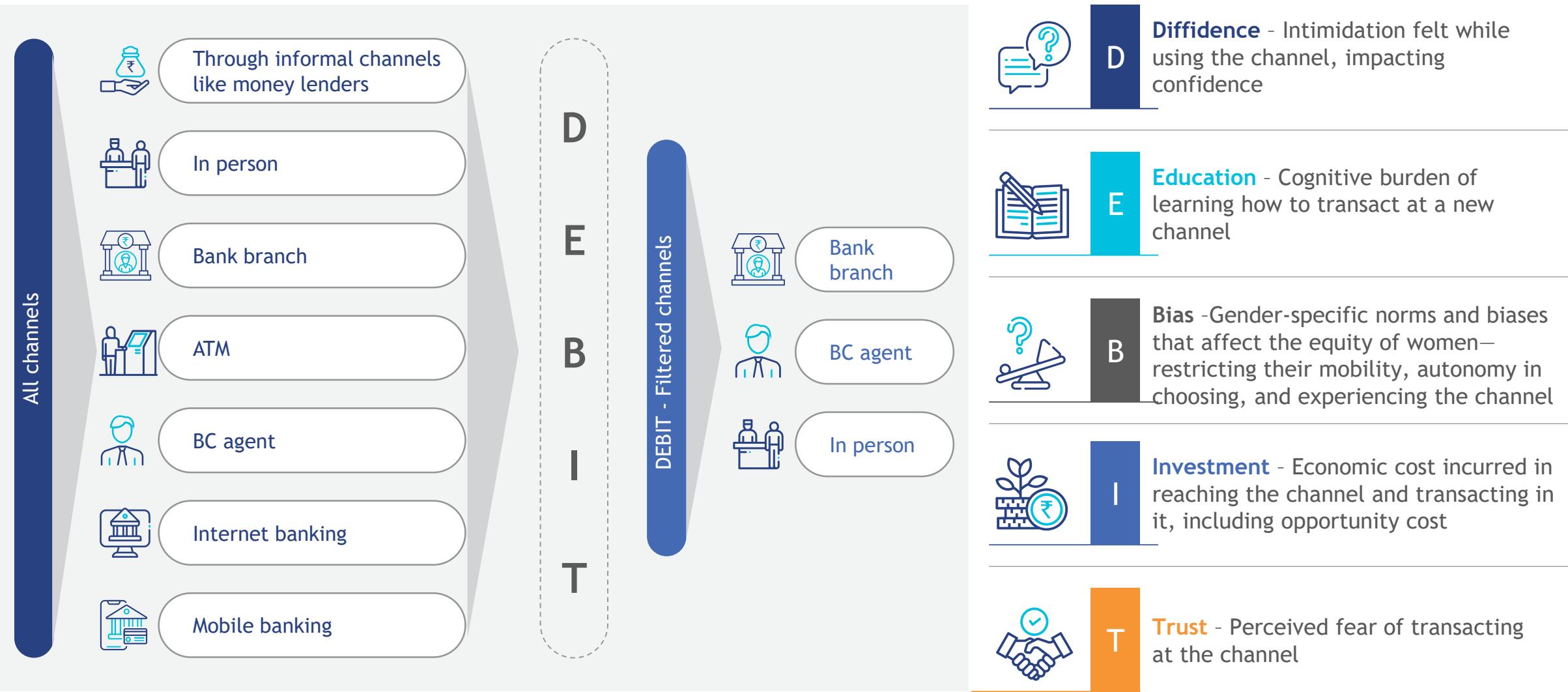
Risks

- Lack of support to transact using technology
- Fear of fraud at CICO point, wallet
- Lack of access to infrastructure needed for a wallet
- Inadequate data privacy and protection
- Perceived higher complexity in using ATMs and wallets

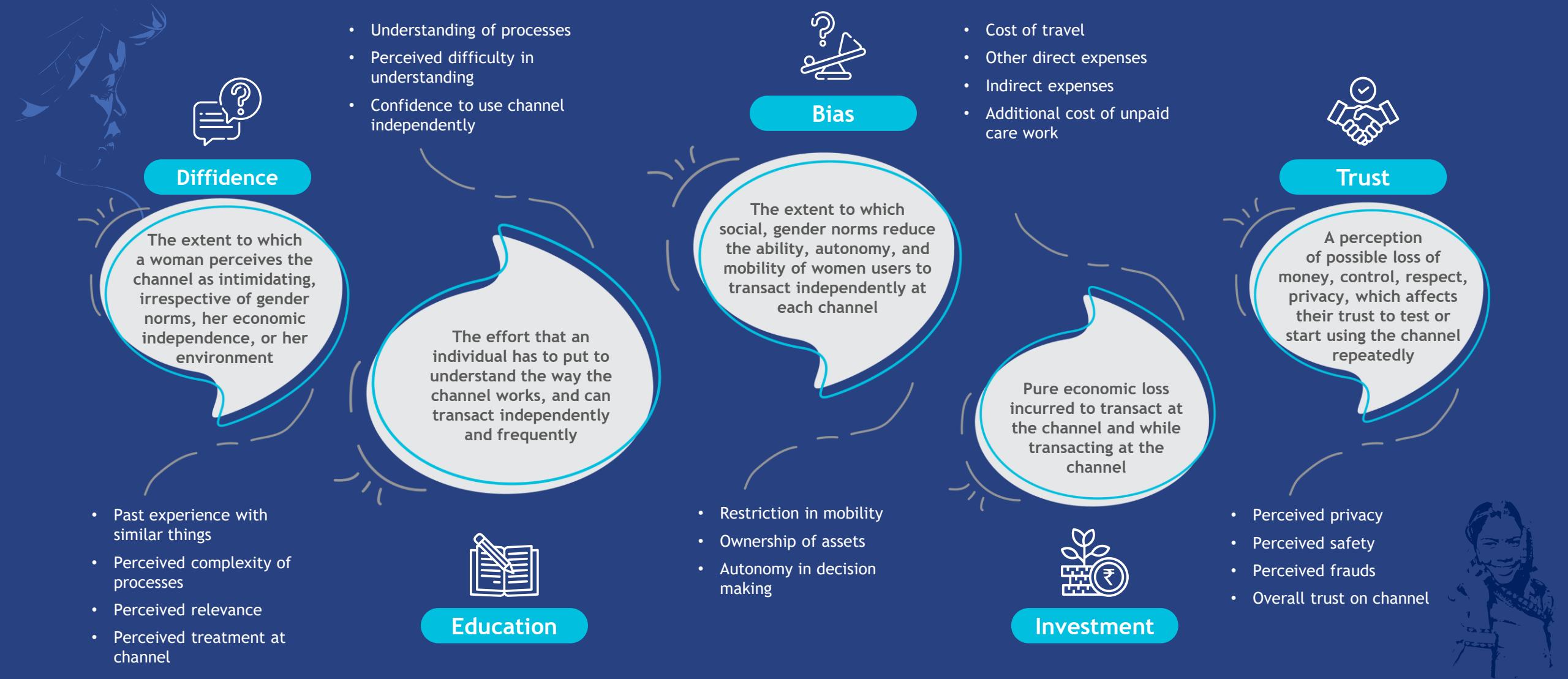
The stakeholders need to understand why women choose a specific channel to conduct financial transactions over others—especially when they know of multiple channels

Women evaluate several factors to choose a channel: These are DEBIT

The larger the DEBIT value of a channel, the lower is the chance of them using the channel



The drivers of DEBIT are complex and inter-related



We have identified four categories of channels that typically exist in the market for the LMI segment

Definition

Physical

Physical channels are those where the user has to undertake physical processes to transact. The FSP staff complete the entire process, handle the technology, and interact with the users.

These channels are typically at a distance from the user's doorstep.

Phygital

In a phygital channel, the user has to interact with both physical and digital modes to transact. The FSP staff do the transactions, but the user has to interact with the digital interface as well for authentication.

These channels are typically at a distance from the user's doorstep but closer than physical channels.

Common examples

Bank branches



T-Digital

T-Digital channels are those where the user has to interact with the digital interface to transact. Only the user alone can conduct the transaction.

These channels are at a distance from the user's doorstep, and are often closer than phygital channels.

Cash-in cash-out points



ATMs



Digital

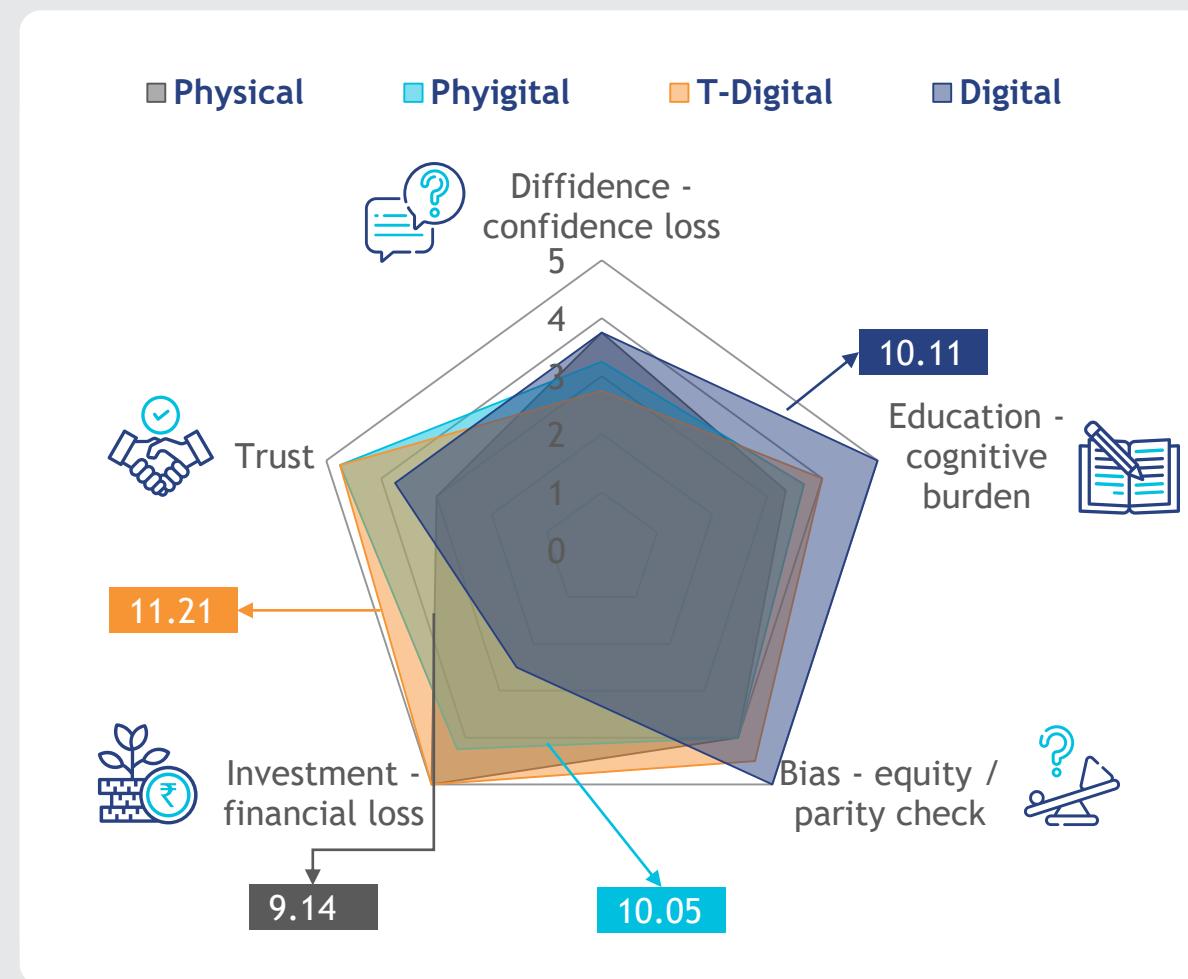
Channels where the user has to interact directly with the digital interface to transact. The user owns direct access to the channel. Only the user can conduct the transaction, who in turn can choose to take support from trusted individuals.

These channels are within the household.

Mobile phone applications (wallets)



DEBIT can be used to compute the perceived loss while using each channel; the user will choose the channel with the least cost



The computed loss for each category, when mapped on each axis of a polygon radar map, shows us the loss that the user perceives they will incur while using the specified channel.

The customer considers the channels with the lowest perceived loss as the most rational choice, and adopts it.

In the example, the user experiences the lowest perceived loss (DEBIT) when she transacts at the phyigital channel, and the most perceived loss at the digital channel

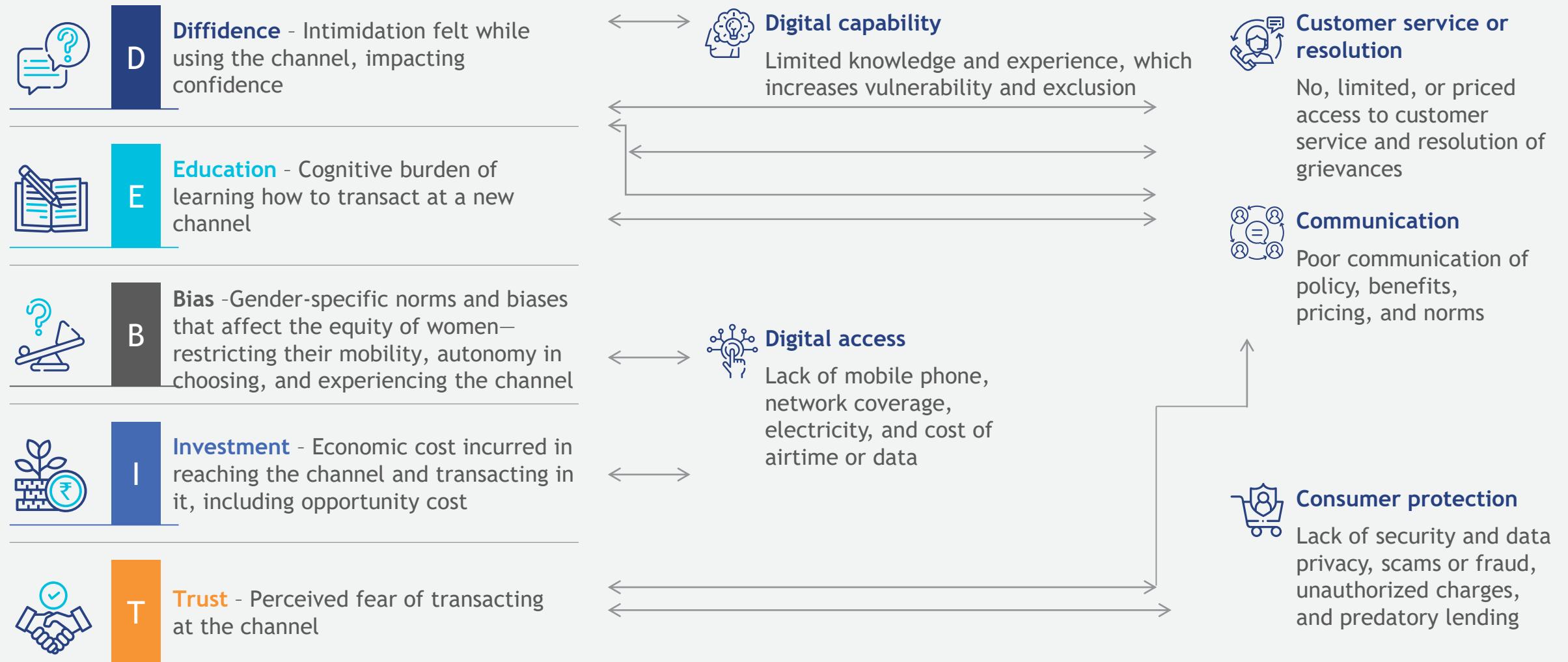
Process to compute the DEBIT value for a channel:

- The rating or value of each factor of DEBIT for a channel is computed by taking the average rating (Likert scale of 1-5, with 5 being the maximum) of multiple indicators that represent the factor.
- Using the individual rating computed for each factor of DEBIT, the polygon is drawn for the channel.
- The overall area of the polygon for a channel represents the perceived loss (DEBIT value) of that channel.



The score in each box shows the overall DEBIT score for each channel
T-Digital - stands for digital channels like ATMs where some travel is involved

DEBIT helps filter down the five key bottlenecks (2D3C) in the adoption of DFS



**DEBIT unpacked for
each segment**



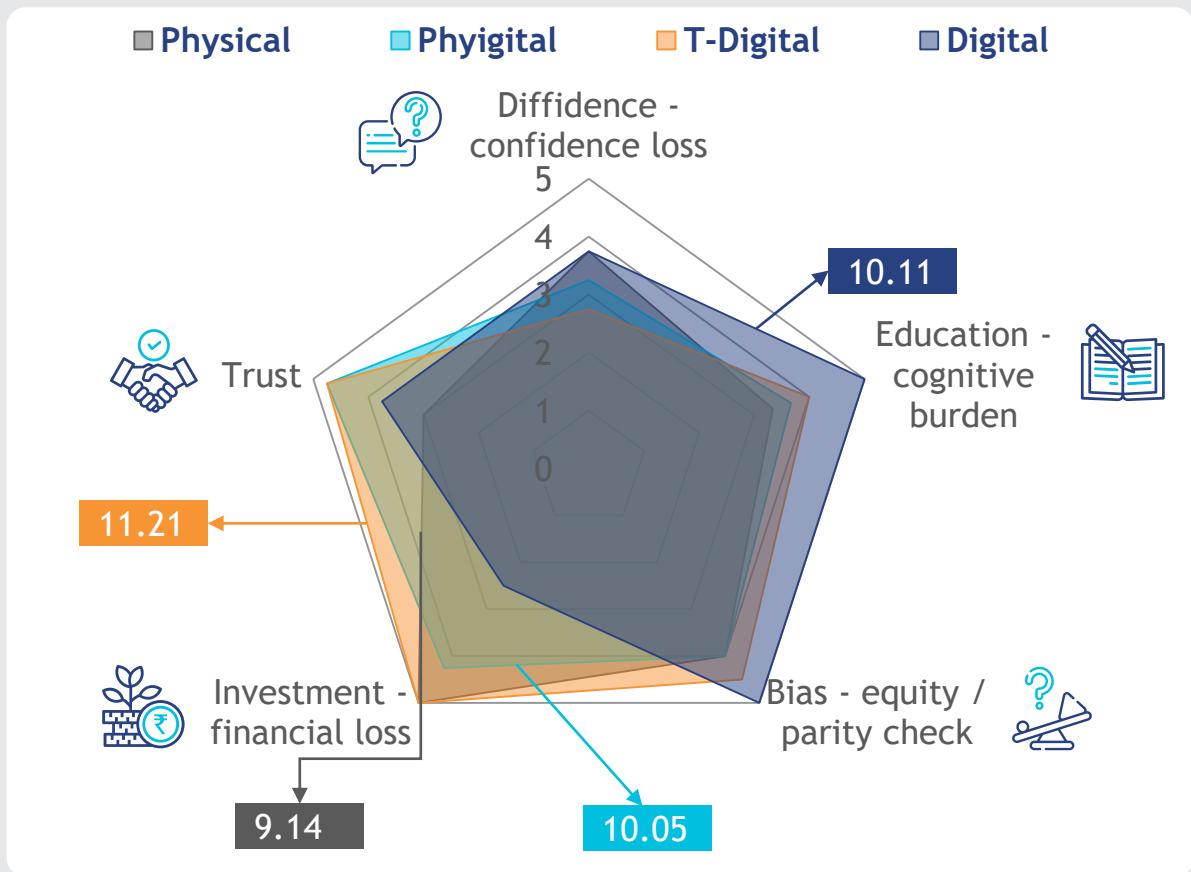
MSC 

We used DEBIT to understand why different personas of women choose a particular channel to conduct a transaction

	Included - underserved	Included - served	Excluded - high-potential	Excluded - marginalized
Summary Description	Have a financial account but rarely engage in any financial transactions outside the domestic context	Have a financial account and wallet, and engage in a variety of formal transactions	Do not have an account, but have a high quantum of transactions	Do not have an account, and engage in very low value of transactions informally
Savings instruments	Cash at home or with a trusted adult	Savings groups or banks	Savings groups or cash	Cash
Typical channel for transactions	Banks and mobile wallets	Banks, ATMs, maybe mobile wallets	None, since they transact in cash	None, since they transact in cash
Key DEBIT drivers	Trust, education	Investment	To be covered in next phase of study	To be covered in next phase of study
Channel preferred	Physical	Digital	To be covered in next phase of study	To be covered in next phase of study

We will develop DEBIT values for all four personas in the next phase of the study, where we will conduct interviews across countries and personas with a wider sample size.

DEBIT for financially included and underserved women like Shanta in India shows that the Diffidence, Education, and Bias toward digital channels and lack of Trust for phyigital channels make the user choose a physical channel despite its high investment cost



For Shanta, a digital channel is not an option since the DEBIT value (perceived loss) is one of the highest there. A high cognitive burden and bias compared to other channels is the key cause for this. The highest DEBIT value is also seen in the case of digital channels that call for travel (T-Digital), such as ATMs. Limited trust on the channel and the investment that goes into it are critical causes for this.

In contrast, DEBIT is the lowest when it comes to physical channels, despite the high investment cost. Relatively higher levels of trust on the channel further acts as an enabler.

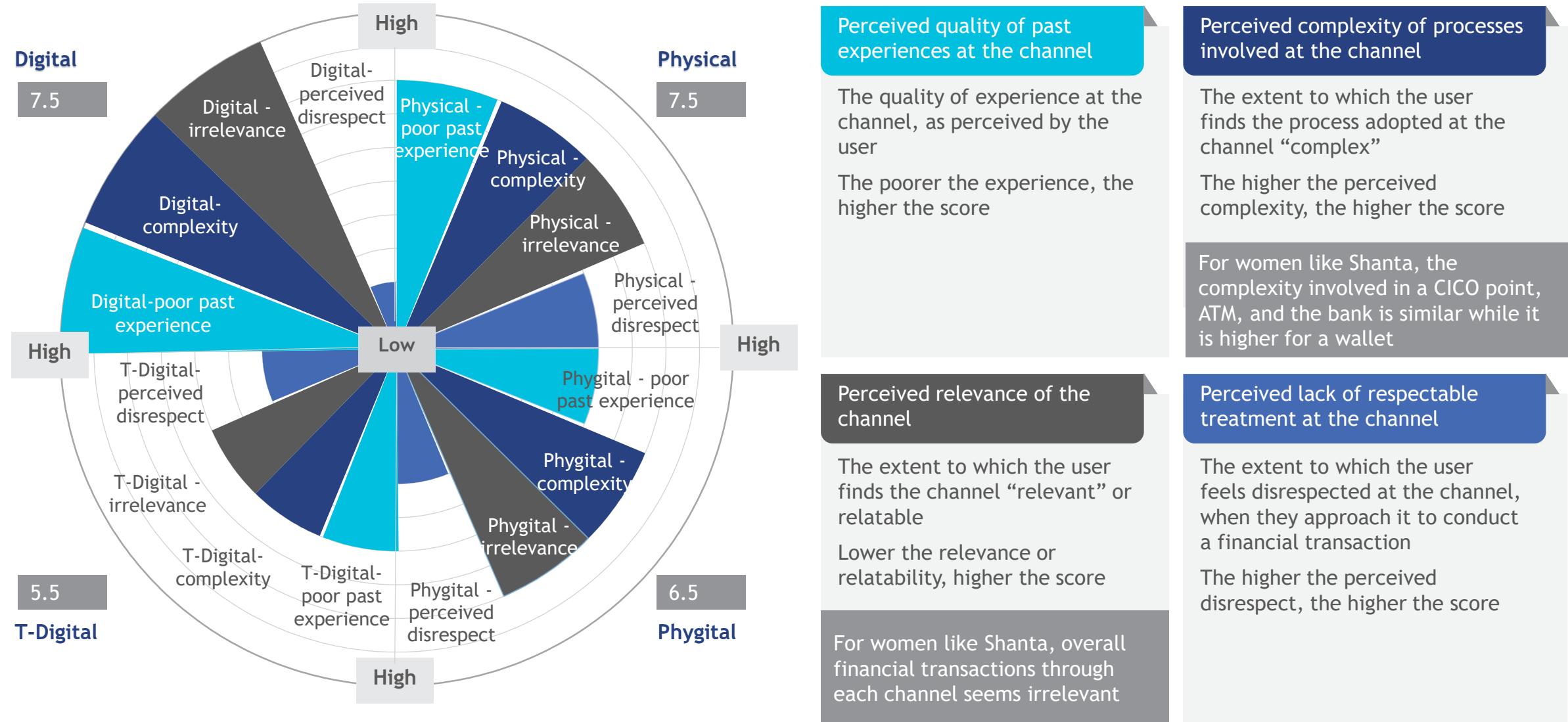
Hence, despite having access to digital and phyigital channels with a lower economic cost, Shanta chooses a physical channel.

In the subsequent five slides, we unpack the drivers for each component of DEBIT.

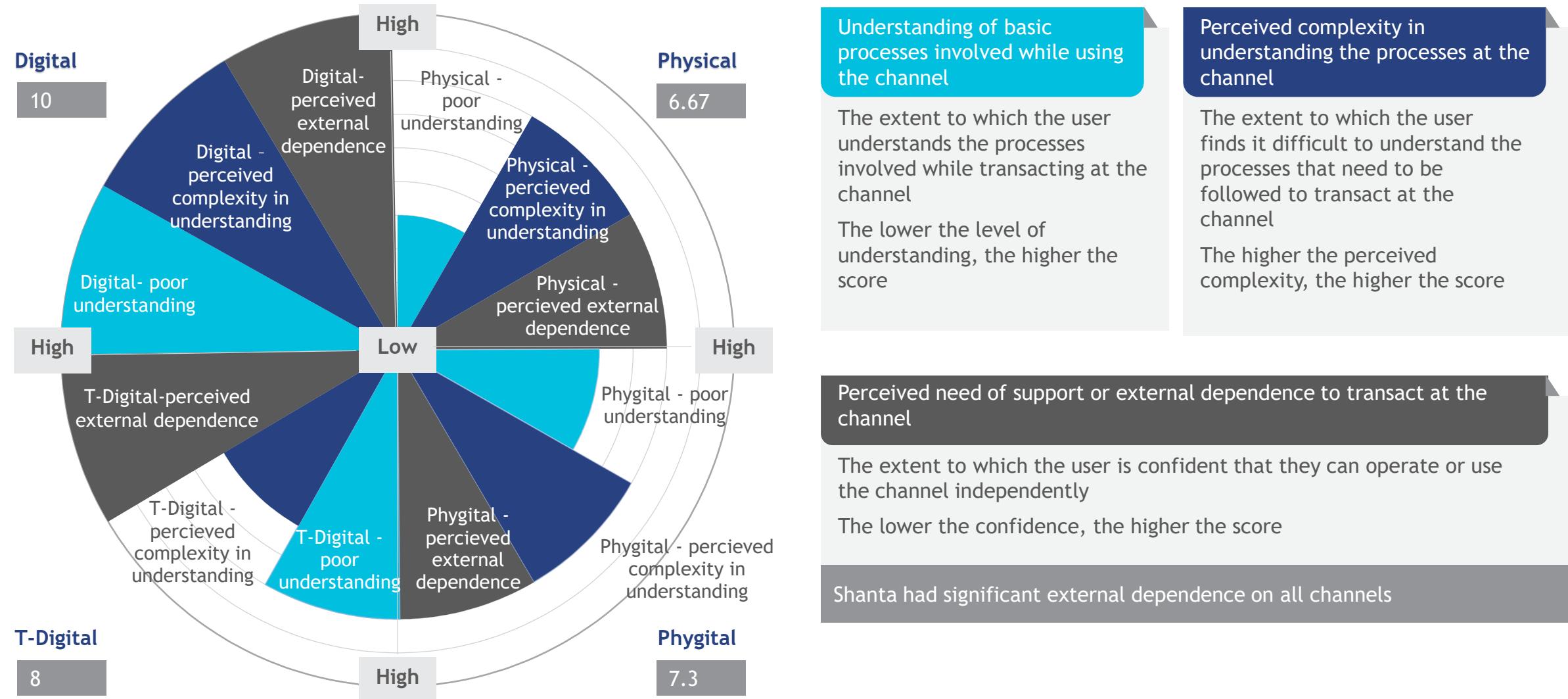
The score in each box shows the overall DEBIT score for each channel
T-Digital - stands for digital channels like ATMs where some travel is involved



Shanta - Diffidence explained for all four channels



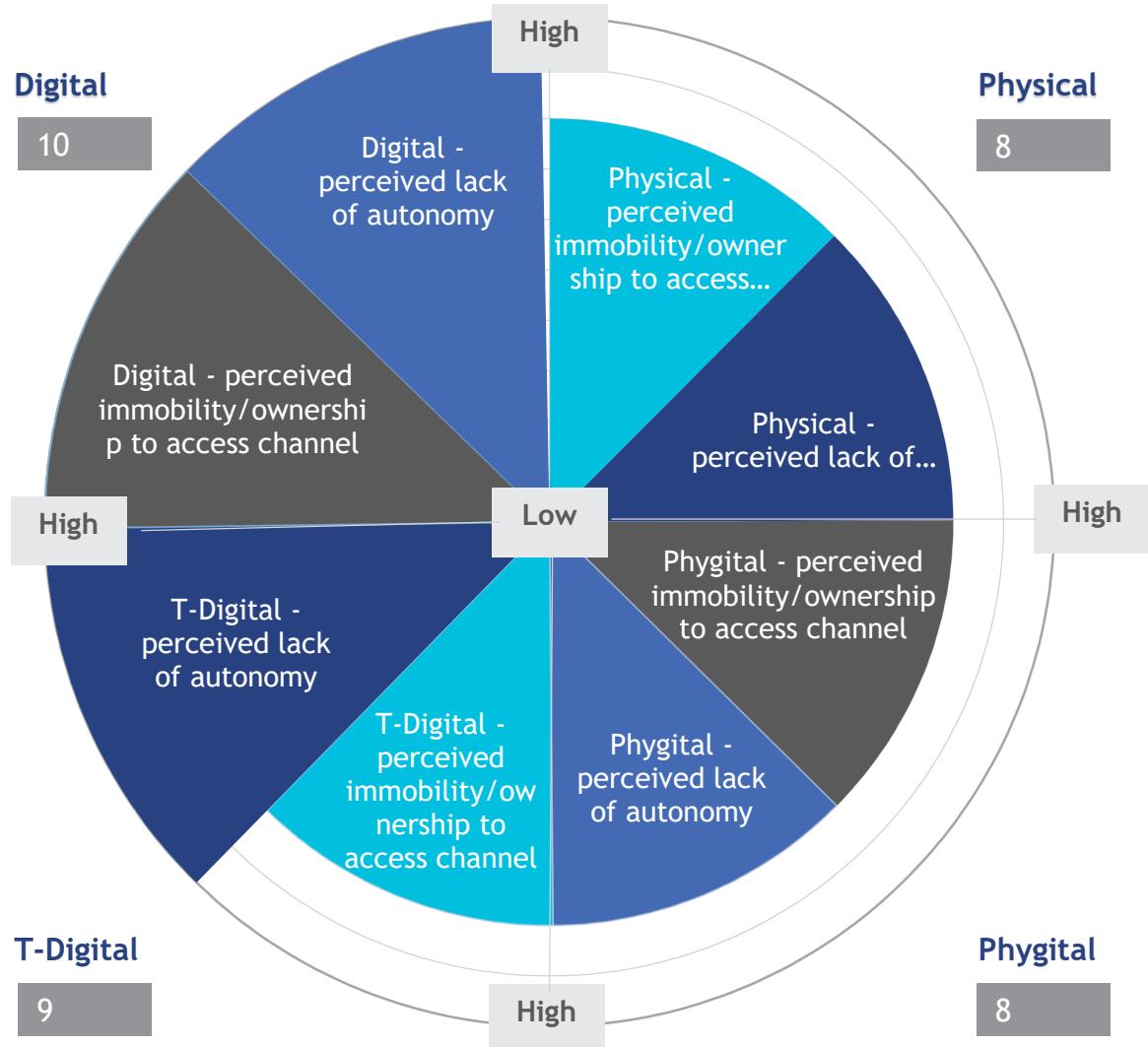
Shanta - Education explained for all four channels



Scores are scaled down by a factor of two while plotting the overall DEBIT value as on slide 12
T-Digital - stands for digital channels like ATMs where some travel is involved

Overall score for that channel for this DEBIT force

Shanta - Bias explained for all four channels



Perceived lack of mobility or ownership of means to access the channel

The extent to which the user perceives that they cannot access the channel owing to limited mobility in terms of means of transport, or lack of access to the infrastructure needed, such as mobile phones

The lower the mobility, and ownership of means to access the channel, the higher the score

Perceived lack of autonomy to access the channel

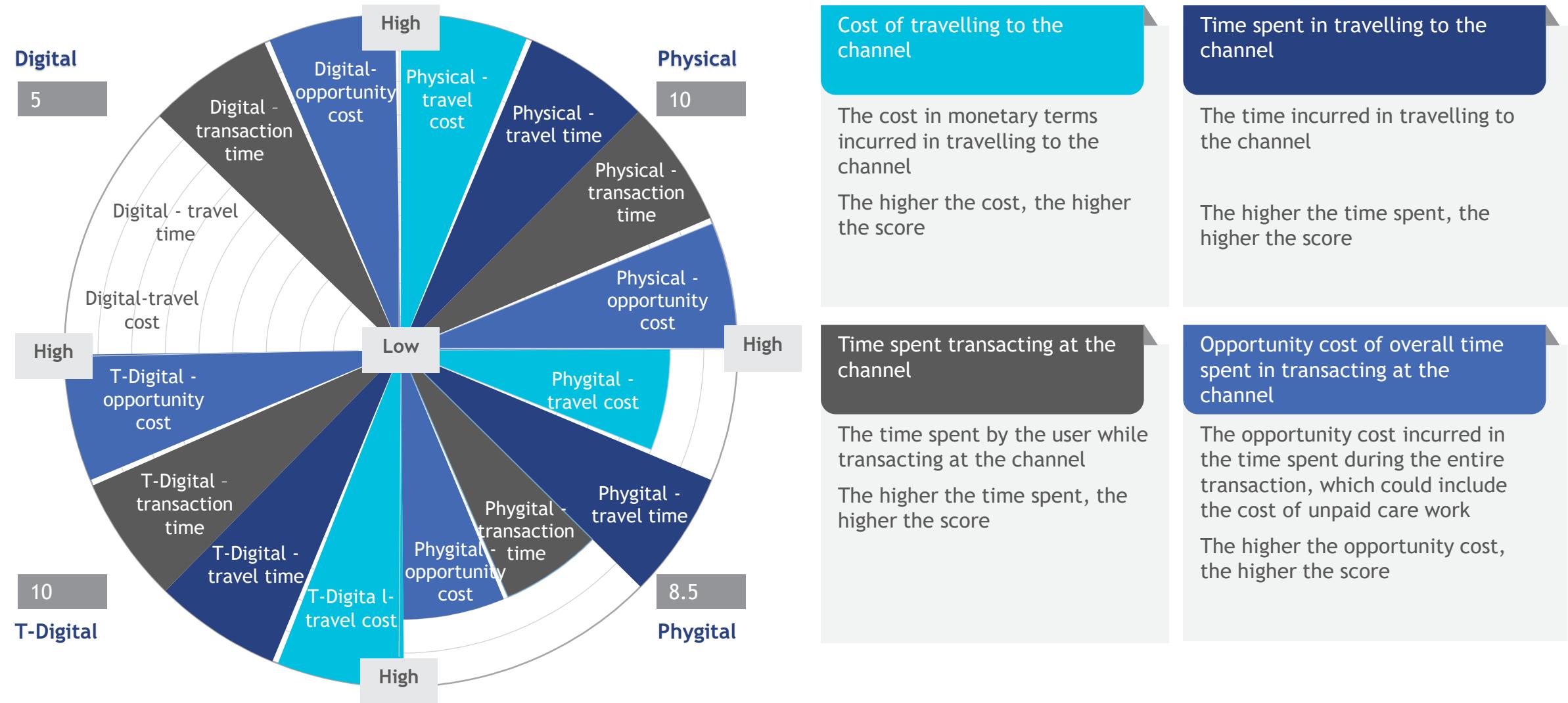
The extent to which the user has the freedom or autonomy to access the channel

The lower the autonomy, higher the score

Scores are scaled down by a factor of two while plotting the overall DEBIT value as on slide 12
T-Digital - stands for digital channels like ATMs where some travel is involved

Overall score for that channel for this DEBIT force

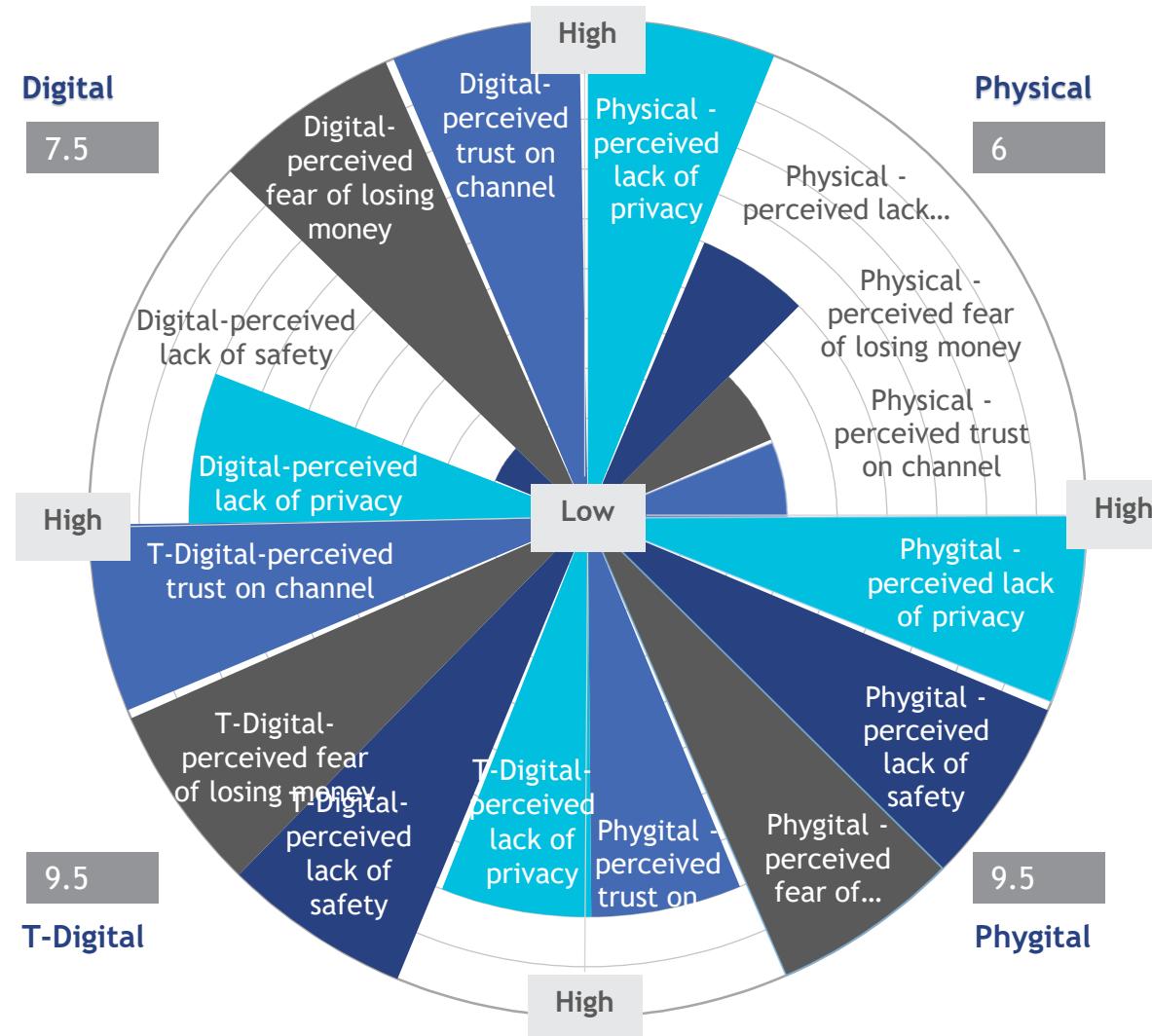
Shanta - Investment explained for all four channels



Scores are scaled down by a factor of two while plotting the overall DEBIT value as on slide 12
T-Digital - stands for digital channels like ATMs where some travel is involved

Overall score for that channel for this DEBIT force

Shanta - Trust explained for all four channels



Privacy at the channel

The extent to which the user perceives the channel to provide them with privacy while transacting at the channel

The lower the privacy, the higher the score

Safety at the channel

The extent to which the user finds it safe to transact at the channel (in terms of theft or abuse).

The lower the level of safety perceived, the higher the score

Fear of losing money while transacting at the channel

The extent to which the user fears that they will lose money while transacting at the point owing to fraud, technical errors, or by mis-understanding the process

Higher the fear, higher the score

Trust on the channel

The extent to which the user “trusts” the channel; has faith in the channel to conduct a transaction.

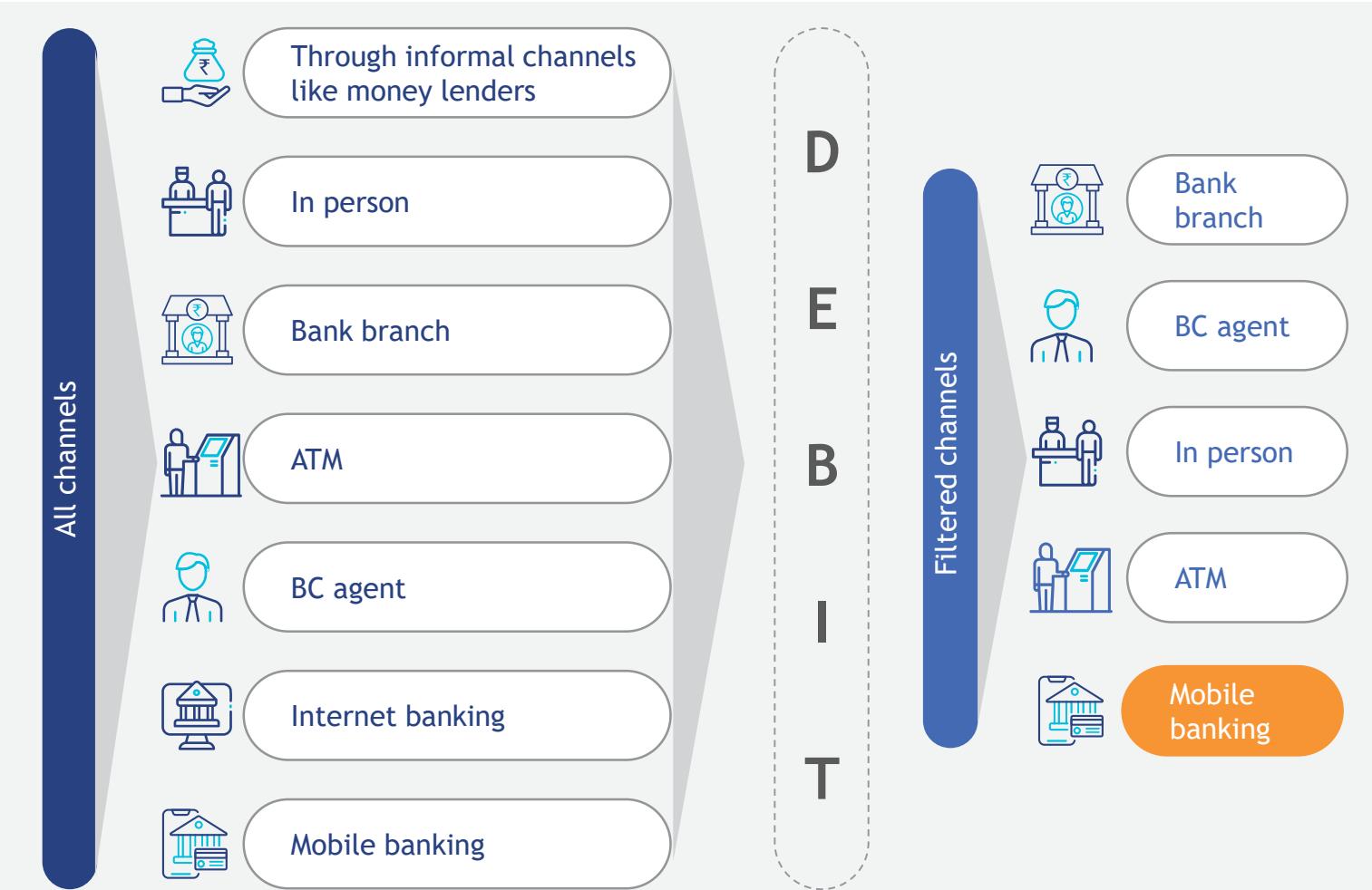
The lower the trust, the higher the score

Scores are scaled down by a factor of two while plotting the overall DEBIT value as on slide 12
T-Digital - stands for digital channels like ATMs where some travel is involved

Overall score for that channel for this DEBIT force

DEBIT for a channel can be reduced by working on its components via three players

Reducing the DEBIT value of a channel for a user will allow him/her to perceive that channel as a more rational choice for conducting financial transactions



The three players that could help reduce DEBIT for the user are:



Financial service providers



Government



Social network

The onus to reduce a channel's DEBIT value is not the banker's responsibility alone. Government bodies and the user's support system also play a critical part.

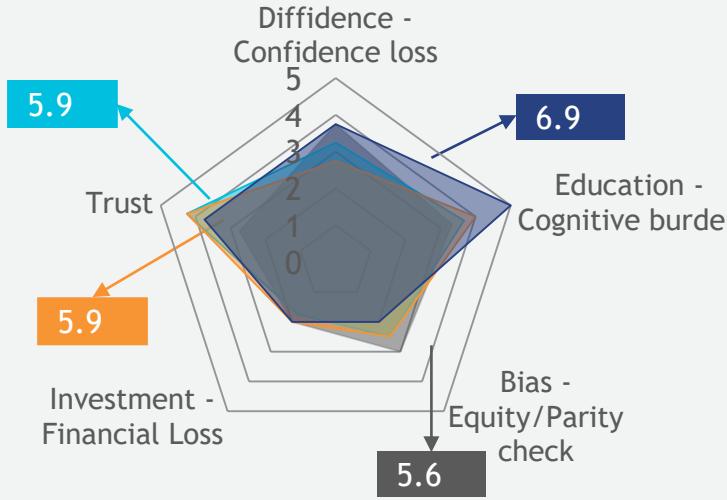
Additional channel that could be considered by the user if the DEBIT value for it is reduced by concerted efforts. This is only for illustrative purposes

For details on how players can reduce DEBIT, please see slide 24

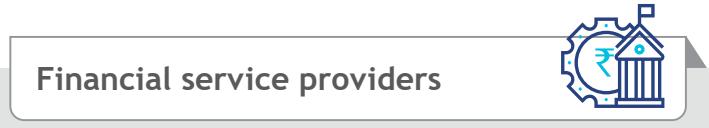
We have anticipated how each of these players can reduce Shanta's DEBIT for each channel when only one of them act



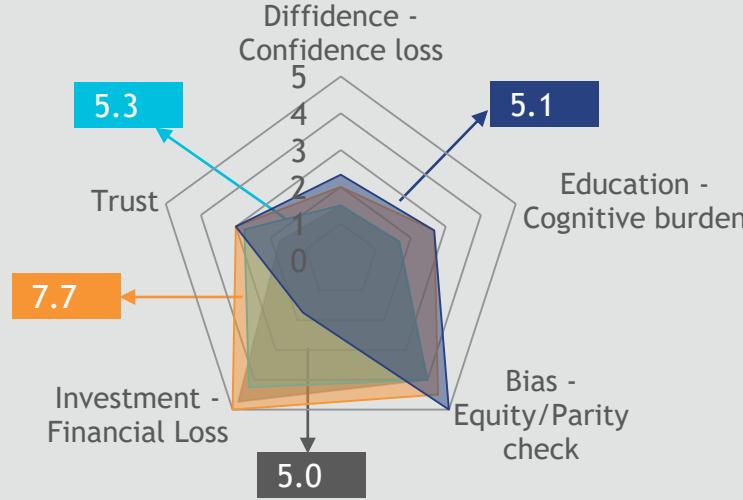
■ Physical ■ Phyigital ■ T-Digital ■ Digital



1. Reduce the cost and time of travel to financial access points by increasing the density of access points
2. Reduce the burden of household work and care work by providing institutional alternatives like creches
3. Enhance access, ownership to channel (provide mobile phones, internet)



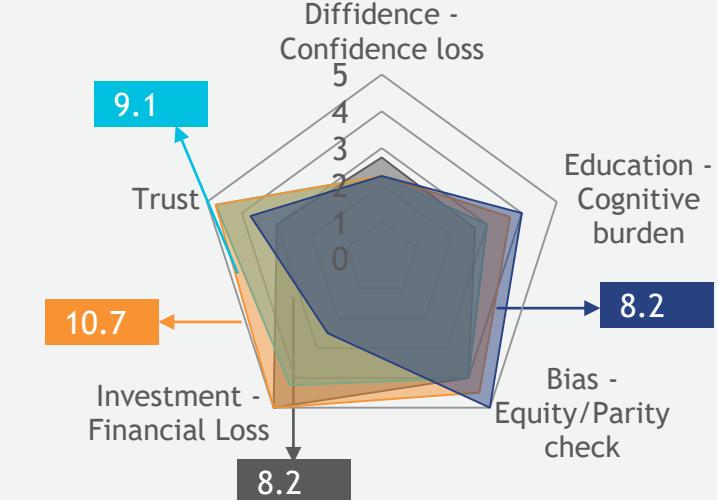
■ Physical ■ Phyigital ■ T-Digital ■ Digital



1. Improving user experience (trust, TAT), interface of the channel
2. Reduce complexity of the processes, and improve communication
3. Convenient and credible GRM
4. Reduce cost and time of travel to financial access points by increasing the density of access points



■ Physical ■ Phyigital ■ T-Digital ■ Digital



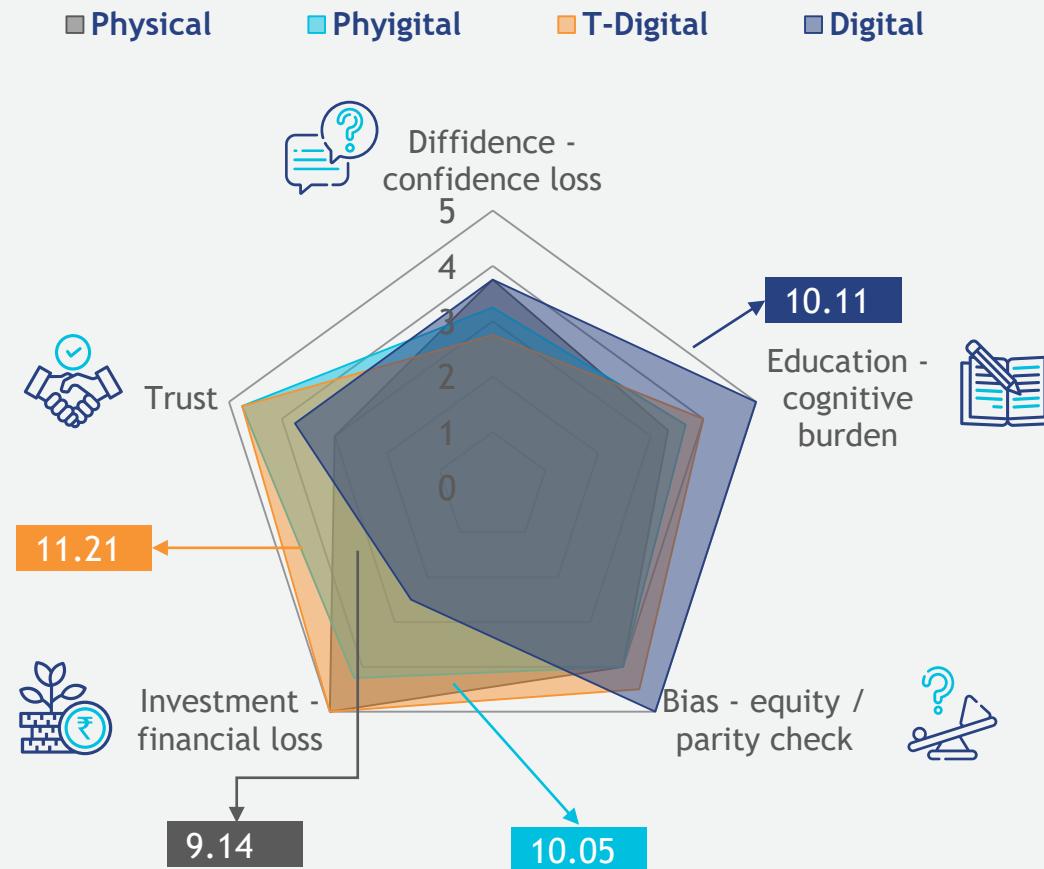
1. Enhance the level of relatability, understanding of the channel
2. Encourage autonomy, mobility to access the channel

The score in each box shows the overall DEBIT score for each channel
T-Digital - stands for digital channels like ATMs where some travel is involved

For details on how players can reduce DEBIT, please see slide 24

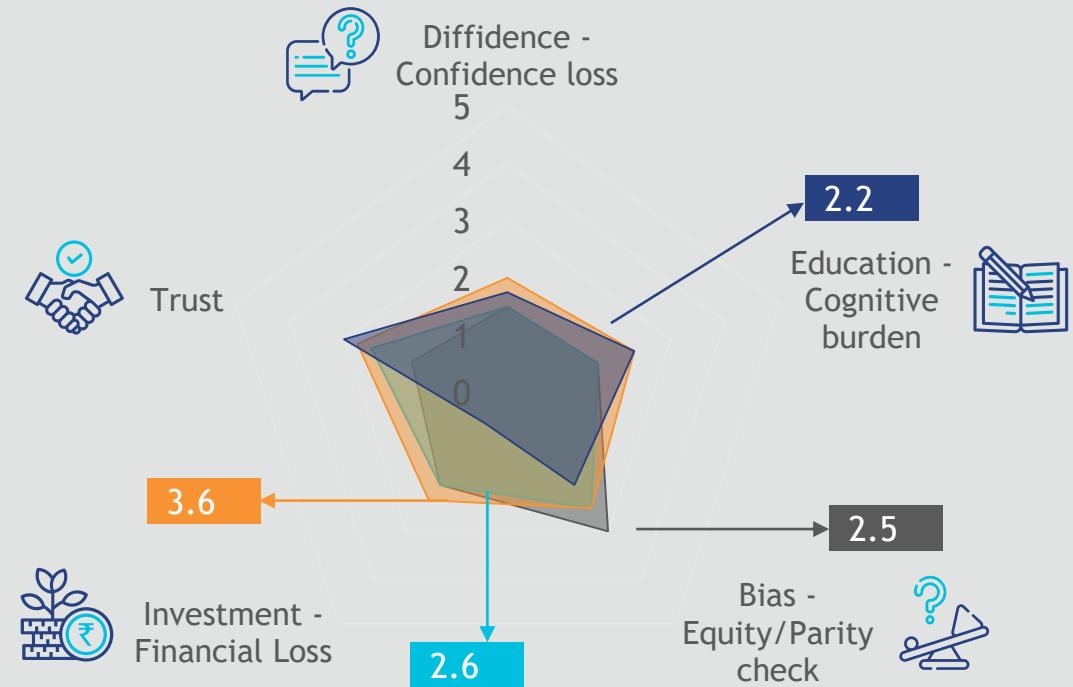
In our estimates, if all players decide to act together, women would be more likely to choose a digital channel to transact

Status for the included-underserved segment



If in the same context, all positive forces (government, FSPs, anchor) act, we anticipate that DEBIT will reduce substantially for all channels, resulting in a situation where women choose the most economical channel to conduct a transaction

Physical Phyigital T-Digital Digital



The score in each box shows the overall DEBIT score for each channel
T-Digital - stands for digital channels like ATMs where some travel is involved

For details on how players can reduce DEBIT, please see slide 24

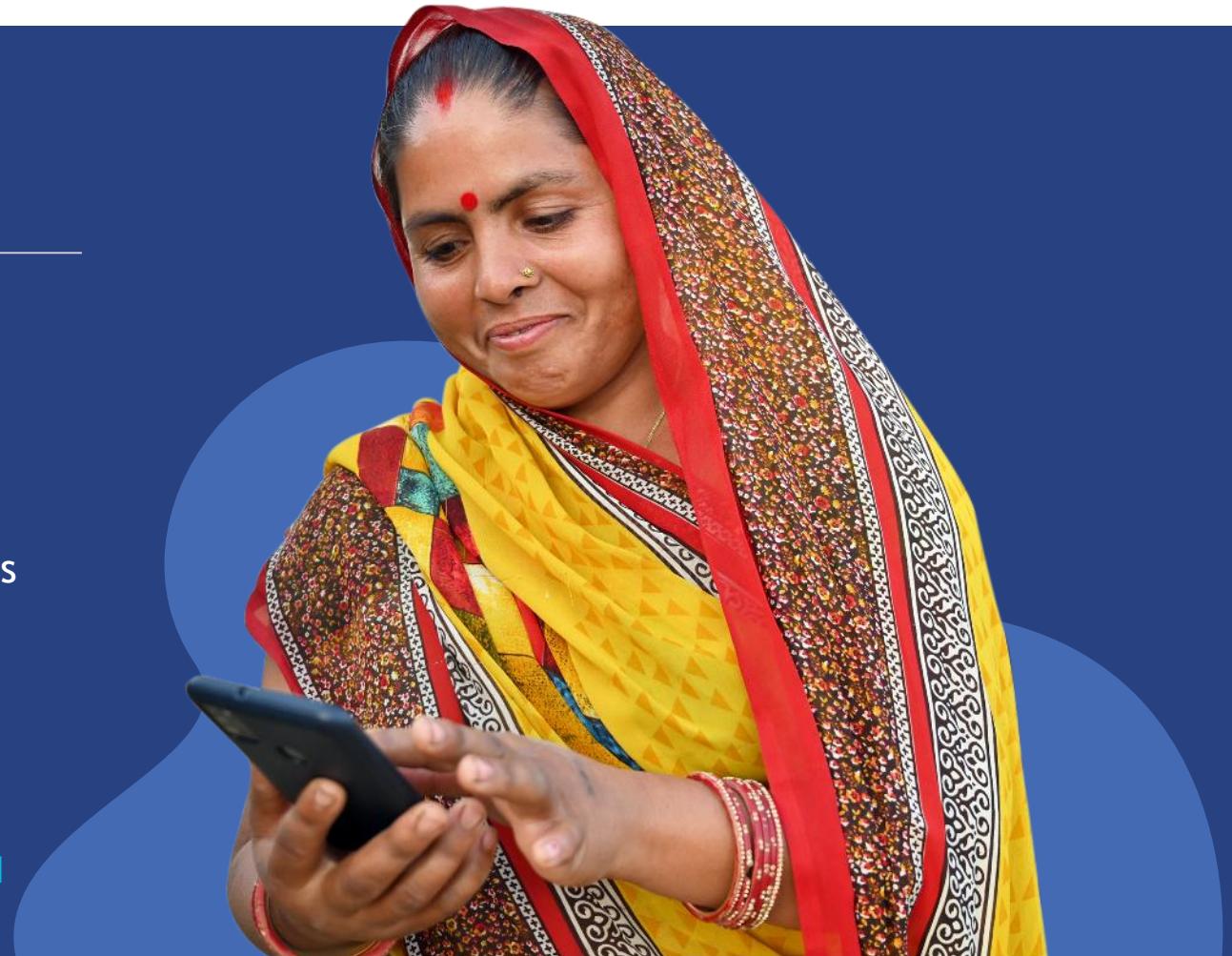
An obvious next step is to validate DEBIT further across segments of women and geographies

An analysis of women's choice and actions on using financial service channels clearly reveals action areas for stakeholders.

A geographical and segment-wise computation of DEBIT values for each channel can help us:

- Identify barriers to use of digital channels for customer segments among women
- Identify extent to which each factor influences women's decision to use a channel
- Develop specific action steps for each player (government and FSPs)

We will develop DEBIT values for different personas of women, and unpack the above in the next phase of the study.



Annexes



The 3D2C framework, which identifies the five bottlenecks in the adoption of DFS by the LMI segment

The five inter-related bottlenecks increase vulnerability and compromise trust, threatening to obstruct the digital revolution



Digital access

Lack of mobile phone, network coverage, electricity, and cost of airtime or data



Digital capability

Limited knowledge and experience, which increases vulnerability and exclusion



Communication

Poor communication of policy, benefits, pricing, and norms



Customer service or resolution

No, limited, or priced access to customer service and resolution of grievances



Consumer protection

Lack of security and data privacy, extensive scams or fraud, unauthorized charges, and predatory lending

Customer journey



Unaware

Has never heard of digital financial services



Understanding

Understands the use of digital financial services



Trial

Tries the service but infrequently



Regular use

Uses digital financial services regularly

Key bottlenecks

- Communication
- Digital access

- Digital access
- Communication
- Digital capability

- Digital access
- Communication
- Digital capability

- Customer service or resolution
- Consumer protection

- Consumer protection
- Customer service or resolution
- Communication

- Customer service or resolution
- Consumer protection

DEBIT framework explained

Each of the three players (government, FSPs and the social circle) can play a role in reducing the DEBIT value of a channel, by applying a counter force

	Diffidence	Education	Bias	Investment	Trust
Definition	The extent to which the channel is perceived as intimidating by the woman, irrespective of gender norms, her economic independence, environments	The effort that an individual has to put to understand the way the channel works, and is able to independently and frequently transact (comfort, recollection, extent to which a user has to learn, or ease of use)	The extent to which social, gender norms reduce the ability, autonomy, and mobility of women users to transact independently at each channel	Pure economic loss incurred to transact at the channel and while transacting at the channel	Perception of possible loss of money, control, respect, privacy impacting their trust to test or repeatedly use the channel
Counter force	Improved design thinking to develop relatable and intuitive interfaces, processes, use of behavioral nudges	Support system to assist or teach the customer on how to use the channel, eventually building their confidence and reducing their perceived cognitive load	Changing social norms so that women have more autonomy, mobility, and confidence. This includes working on making mobile ownership and use by women more common, women's economic independence a norm	Reduce the cost incurred in accessing the channel or owing the infrastructure to reach the channel. This includes reducing the cost of owing mobile phones, cheaper transport options	Enhanced GRM (awareness, access, quality) by FSP, CP through stronger regulations by the government, monitoring of FSPs by regulators (RBI), using influencers to break or change biases against the channel
Player					
Government			Social network		
Financial service providers					

Sectors we work in

Providing impact-oriented business consulting services



Banking, financial services, and insurance (BFSI)



Water, sanitation, and hygiene (WASH)



Government and regulators



Micro, small, and medium enterprise (MSME)



Social payments and refugees



Gender



Education and skills



Digital and FinTech



Agriculture



Youth



Climate change



Health and nutrition

Multi-faceted expertise

Advisory that helps you succeed in a rapidly evolving market



Policy and strategy



Products and channels



Research and analytics



Organizational transformation



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Marketing and communication



Training



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Our impact so far

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>1,000 publications

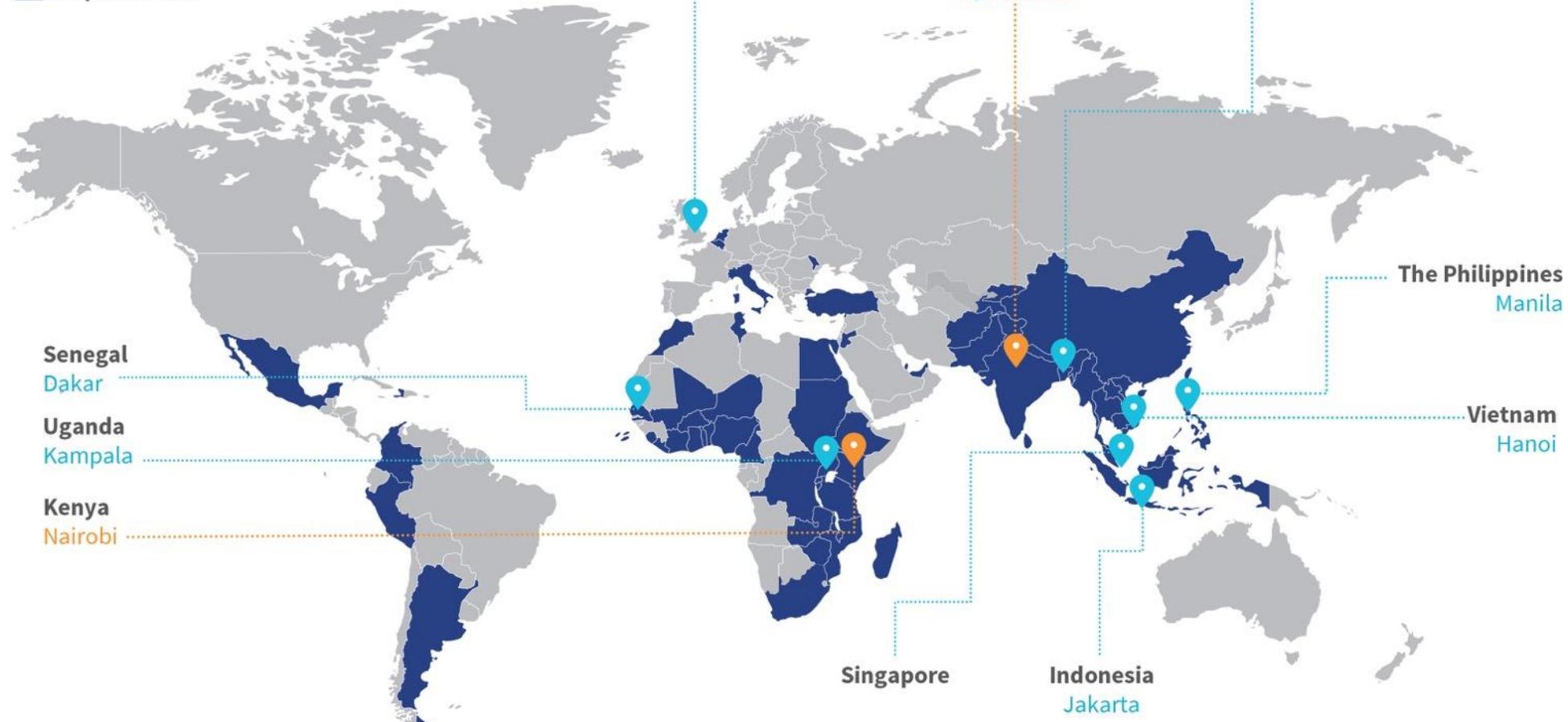
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