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Testing Products, Scaling Solutions: A Call for New Research to Advance Digital Financial Services in the Developing World

Mobile money and digital payments have opened the door to a new generation of products that have lowered costs and made serving unbanked and underbanked consumers a promising business proposition. But in spite of continuous innovations and a steady growth in digital financial services, take-up of these products remains low and usage rates are often disappointing. Many financial service providers are struggling to make these digital products live up to their full potential for businesses and consumers.

At Innovations for Poverty Action, we are working to build partnerships between financial service providers and researchers to improve the design and delivery of digital financial services. Through a series of annual competitive funding rounds, we are supporting the development of randomized evaluations to rigorously test products, product features, and campaigns that help unbanked and underbanked clients benefit from growing access to digital financial services. These tests will be designed to help providers identify the most effective solutions for encouraging usage and promoting healthy financial behaviors. With renewed support from the Bill & Melinda Gates Foundation, our current [call for proposals](#) will support research by the most promising of these partnerships.

Digitizing payments and G2P transfers has the potential to increase safety and efficiency, but first requires providers to develop ways of onboarding large networks of new clients. [A recent partnership](#) between researchers, financial providers, and garment factories in Bangladesh, for example, is testing the most effective way to transition salaried factory workers from cash to electronic payroll. As similar programs help to expand the user base of digital services, providers could leverage these platforms to expand access to additional products targeting specific segments of the populations, such as women, farmers, and entrepreneurs.

Financial products tailored to women in particular are a promising avenue for providers looking to expand their client base. Nearly 50 percent of women in developing economies [still don't have access to financial services](#). For providers interested in reaching this pool of

potential customers, it is critical to design products that meet the specific needs of women. A recent study in Kenya, for instance, found that ATM cards that reduced transaction fees and increased accessibility were still used less by women, who tended to have less household bargaining power. This study highlights the fact that merely providing access to financial services does not guarantee usage. In this case, the women in the study may have preferred financial products that made their funds less accessible and therefore less vulnerable to requests from family and neighbors.

A similar understanding of clients' needs is critical for serving low-income households more broadly. In some ways, the financial lives of the poor are more complicated and mentally taxing than those of more well-off households. While the wealthy can often absorb a small miscalculation, for the poor it can be catastrophic. Add to that irregular or unpredictable income, and financial decisions quickly become difficult to manage. Well-designed products that help individuals successfully navigate the difficulties of daily financial life may be able generate new demand for financial products.

Results from the coming partnerships will help service providers understand what works and what doesn't as they continue to increase access to products designed for the world's poor. What we learn will help them build strong businesses while providing better services to those who need them most.

Learn more about our competitive fund and find instructions on how to apply at www.poverty-action.org/financialinclusion/competitivefund. Financial service providers and researchers seeking help in identifying partners to collaborate should email us at financialinclusion@poverty-action.org as soon as possible.

April 05, 2016