MicroSave Briefing Note # 77

Orality and Microsavings

Brett Hudson Matthews

January 2010

Thumbprints on loan contracts are among the most ubiquitous symbols of microfinance, and the state of industry inclusion. Even without the ability to read or write, the thumb and the stamp-pad introduce poor people to the discipline of timely repayment and the binding link between time and money that drives modern economies. But thumbprints have another meaning, too. And we would do well to consider it.

In 2003, Muktar Mai, an illiterate woman of the Gujar caste from a village in eastern Pakistan, was gang raped on the orders of her village council for a crime alleged to have been committed by her younger brother. Unlike so many women who face similar violations, she courageously complained to the local police department. She relates in her book (published in France in 2007) that a police officer took her oral testimony, and then stepped into the office of his superior before writing it down. He then had her sign the testimony with her thumb. She learned the meaning of this procedure when the case finally reached court.

"The law requires that the police draw up a preliminary investigative report. And it's always the same thing: they tell the woman, 'Sign with your thumbs, we'll write it down for you', and when this report reaches the judge, the culprits are always innocent, and the woman has lied!"[1]

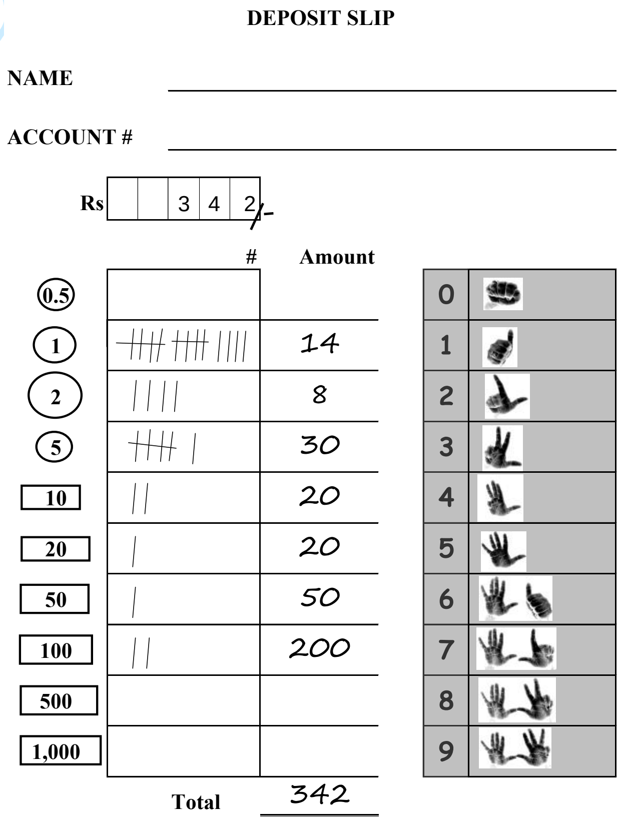
In today's world one in five adults are still not literate (two-thirds of them women).[2] And this does not include the much greater problem of marginal literacy. To be classified as literate on a census requires little more than an ability to sign one's name. The thumbprint on loan contracts symbolizes a one-way mirror – transparent to us but not to our clients. This relationship fuels self-exclusion and fear.

What Orality is ... and Why it Matters
The term 'orality' was coined by Walter J. Ong in his compelling book Orality and Literacy.[3] 'Orality' refers to the characteristic modes of thinking, speaking and managing information in societies where the technologies of literacy (especially writing and print) are unfamiliar to most people. It refers not just to the spoken word, but to any communication tools that do not depend on writing and text.

Orality is a *profoundly* different concept from 'illiteracy', and our failure to appreciate the difference has led to many poor practices in microfinance. Orality is a living domain where information is managed, decisions are made, and -- most importantly -- trust is earned (and lost). As Ong writes, as literates we have a blind spot related to oral culture.

For example, there are few (if any) MFIs that include finger-counting icons in client passbooks, on cash receipts or other documents at the retail interface (see example below). The client deposits cash and tallies the total, which is then stamped by the teller to avoid over-writing, written in numbers and read back to the client before cash exchanges hands. Monitoring staff can then cross-check the tally against the numbers. Illiterate individuals are often innumerate, so that understanding of place-holders, or the relationship between numbers in a table, cannot be assumed.

MFIs can respond to this challenge on several levels. These include adaptations to control systems,


DEPOSIT SLIP

NAME ______________________

ACCOUNT # ______________________

Rs | | | 3 | 4 | 2/-

	#	Amount		
0.5			0	
1		14	1	
2		8	2	
5		30	3	
10		20	4	
20		20	5	
50		50	6	
100		200	7	
500			8	
1,000			9	
Total		342		

[1] Muktar Mai, In the Name of Honour, with Marie-Thérèse Cuny, trans. by Linda Coverdale. Virago Press, London, 2007, p. 169.
[2] However, UNESCO believes national statistics (based on self-reporting) significantly underestimate the problem.
[3] Walter J. Ong, Orality and Literacy: The Technologizing of the Word. Methuen and Co. Ltd., 1982.

improvements in the retail interface, sensitisation of staff and public positioning. While sound control systems largely involve addressing human capabilities (literacy and numeracy), winning trust by addressing the assumptions of oral culture is essential to projects involving savings.

Adaptations to Control Systems

If the risk of fraud and unchecked error is always great in microfinance, it is perhaps never greater than in the oral village. The demand for financial products that feature seasonal cash flows is high, a kind of naive trust of outsiders can induce complacency in clients, and levels of illiteracy are very high. Even with costly investments in control systems, MFIs may consider the risk in this market unacceptable.

This problem is reinventing itself once again in the context of the village agents who process branchless banking transactions. In an end-of pilot review of a business correspondent project through a major Indian bank in Uttar Pradesh, the *MicroSave* team observed illiterate clients freely sharing their PIN #s with agents. Since most illiterate clients cannot fill in deposit slips in numbers, much less write the same information in words (a requirement of the RBI) they must rely on the agent to do that.[4] Agents were also filling in the 'nominee' section of the account opening form. Villagers able to sign their names were receiving chequebooks with no further verification of literacy.

Throughout the year-long pilot there had been regular monitoring visits by staff of the bank and the business correspondent partner. Staff may have thought: "this poor woman could not conduct this transaction if the agent was not inputting her PIN#. Let it go!"

Principles for Dealing with Illiterate Clients

MFIs that are seriously targeting illiterate clients should adhere to the following control principles:

- if retail slips and forms, POS software etc., require literacy they should be tested and piloted until illiterate clients can use them without help,
- monitoring officials must show zero tolerance for staff who break control norms (even to 'help' illiterate clients),
- there should be clear communication to clients about their *rights* vis. a vis. staff and agents,
- staff involved in control functions must be aware of the common gaps in client capabilities, the kinds of fraud opportunities that result from those gaps, and the controls required to address them.

The following principles should be followed in managing retail settings:[5]

- pictures of key financial concepts that drive client responsibilities (deposit, withdrawal, savings account, collateral, loan repayment, joint liability etc.) should be tested through focus groups and then integrated into passbooks, transaction slips, loan contracts, account opening forms, etc., etc.,
- transaction slips, transaction counters etc., should be colour coded and where possible differentiated by clear pictures,
- use of products and channels that involve discretion on the part of illiterate clients (voluntary savings, ATMs, mobile phones etc.) should be tracked separately, and campaigns to encourage deeper use developed and implemented,
- posters illustrating familiar stories should outline clients' *rights* and *responsibilities*, and
- text or numbers should appear within or beside pictures, so that clients can acquire literacy and numeracy skills as they use services.

Through focus groups with illiterate clients, MFIs can systematically test prototype slips, forms, brochures and posters to gauge their levels of understanding of the messages being communicated. Facilitators must be trained carefully to be sensitised to the dynamics of oral thinking, or they may miss critical issues.

Conclusion

A more inclusive approach to microfinance begins with seeing the dimension of orality, which opens the door to a far more 'client-oriented' approach.

The processes outlined above may increase client understanding of the financial services interface, provide assistance in improving literacy and numeracy skills, increase staff motivation and help strengthen the bonds of client loyalty over the long term.

Mainstreamed into the control and delivery systems of MFIs and business correspondents, these features can provide a compelling and unique selling proposition. MFI champions may attract enduring loyalty from illiterate clients who gain confidence as consumers; especially if they gain numeracy or literacy skills.

---

[4] An RRB in the same state has addressed this problem in its branches by barring staff from writing for illiterate clients. This eliminates the risk to the bank, but not the risk to the client, who must now find a literate 'patron' willing to fill in slips for him/her.

[5] For a more detailed compendium of tools, see Brett Hudson Matthews, *Governing the Oral Intitution*, Mathwood Consulting. Co., 2009, pp. 24-44. Contact: brett@mathwood.ca