

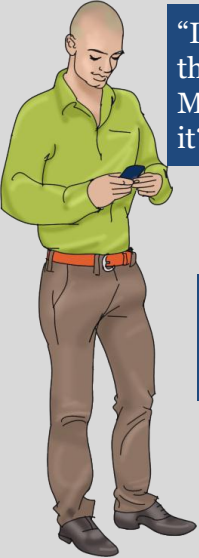
Why Do You Need Behavioural Design For Financial Services?



Behavioural Economics Plays a Key Role in the Day-to-Day Decisions People Make – But Do We Understand How?

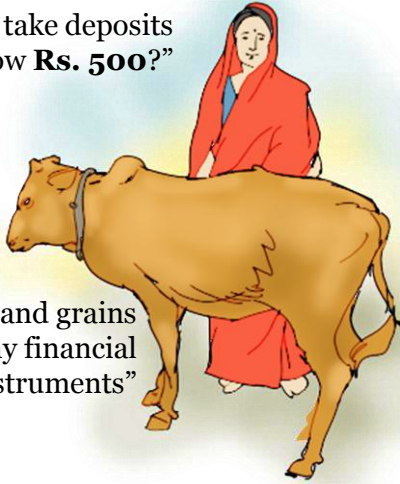
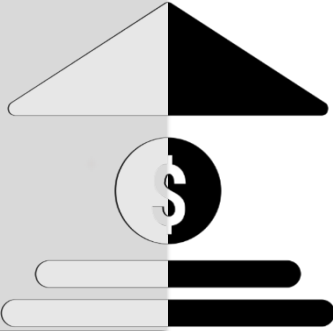


Internal External



“I know no one would use this product. Why does Mr. Bong want me to sell it?”

“Who cares whether or not people use these products? ”



“Do banks take deposits below **Rs. 500**?”

“Goats and grains are my financial instruments”

Seemingly “Irrational” Behaviour that Impedes Financial Inclusion Efforts

- [Why do low income depositors only want to visit a bank branch with at least Rs. 500?](#)
- [Why are formal financial services not often used by the mass market?](#)
- [Why do low income people prioritise their current needs over future requirements for lump sums?](#)
- [Why do mobile money agents need to be given incentives in order to see the value of recruiting customers?](#)
- [Why do migrant corridors exist?](#)



MicroSave's approach to studying seemingly “irrational” behaviour and identifying solutions is driven by the MI4ID approach.

Example: Why do low income depositors only want to visit a bank branch with at least Rs. 500?

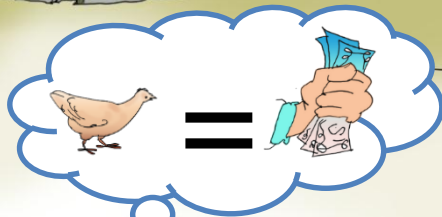
Do banks only accept deposits above **Rs. 500**?

What will they (the people in the bank) think of me if I go in there with anything below **Rs. 500**!

The reference point of a value will vary from country to country. But service providers who want potential and existing customers to deposit less than \$1 to \$5 as savings will have to remove the existing reference point to which their customers are anchored.

[How Is Saving Influenced by Behavioural Biases?](#)

Example: Why are formal financial services not often used by the mass market?



Savings in the bank do not match the benefits offered by purchasing a cow...

Formal financial services lose out when it comes to fulfilling immediate to short term financial service requirements – primarily to shape income flows. Informal methods win because they offer immediate solutions – either meeting an expense or managing excess cash, and making it “work”.



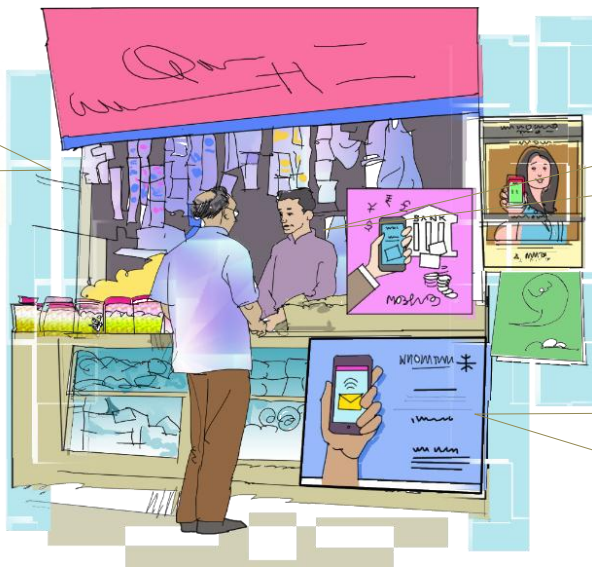
“Loss aversion” explains why people deposit their money with local groups rather than banks. They avoid “loss of prospective financial support” from their communities in times of need.

Example: Why do mobile money agents need to be given incentives in order to see the value of recruiting customers?

1 Distribution alone does not encourage agents to buy into your service if they do not see any value for customers in it.

I know no one would use this product. Why does Mr. Bong want me to sell it?

Staff of BC MFIs in India tend to believe that people are unable to save a lot of money, therefore they prevent customers from saving more than a small fixed amount per day.



2 Incentives – well, do agents take them in the right spirit? For example, you might get enrolments but not the intended usage.

Why should I sell this product? Other products are more profitable for me.

Providers benefit from customer registrations. I do not. If I put in the effort to enrol a customer how can I be sure that she/he will come back to me?

Example: Why Do Migrant Corridors Exist?

People from one source location often migrate to the same destination. Behavioural Economics explains why this happens.

[Examining Remittances through a Behavioural Lens](#)



Identity: Comfort in connecting with known people and dependence on them in order to acquire leads for work is actually an **identity** issue. People relate to similar people.



Social Proof: Migrating to a destination that others from the same community or geographical area have gone to is more likely to yield employment due to the hope of guidance from earlier migrants. This is a **social proof** which everyone looks for



Status Quo: Many seasonal migrants return to the same place year after year as they know the potential employers, people and facilities there. They do not make any effort to look for other locations because of the inherent inertia not to do so – also known as a **status quo** bias.

How Can Principles of Behavioural Economics Be Applied to Financial Services?

Behavioural Economics is an evolving science but it has already started to influence financial services. *MicroSave's* MI4ID approach to financial services incorporates these principles into financial services design.



[e-Pathshaala](#)

[Loan officers' ability to communicate product concepts](#)

[Examining Micro Credit through the Behavioural Lens](#)



[User interfaces that suit customer references](#)

[Designing an effective user interface](#)

[Behavioural Insights in Insurance](#)



[More gender responsive financial services](#)

[Can “Behavioural Science” Bell Scheme Design Cat? Insights from Exploratory Research on the Public Distribution System in India](#)



[Agent management and support services](#)

Unique Features of the MI4ID Approach



“Ideal End State”

We believe in drilling down to the exact behavioural change that our clients envisage from our intervention – a new product or a modified communication strategy. In the project vision workshop, we work alongside our clients in order to seek answers to our questions so that we can understand how to instigate and establish this behaviour.



Research Tools

A rich set of qualitative research tools and rigorous quantitative research methods are key characteristics of our research work. We are experts in creating and using qualitative and quantitative research methods and we make sure that we design research methodology that is the [most appropriate for the objectives](#). Our analysis methods look at information through the lenses of the behavioural sciences.



Concept Distillation Workshop

This unique approach to the generation of new ideas balances [left and right brain biases in a design process](#) that drives service providers to “think out of the box” with innovation and creativity. We have been successful in this approach because we work to understand service providers’ strategy thoroughly, which means that we can identify solutions/concepts that work!



Rapid Prototyping 4 Financial Services

Testing concepts and solutions with actual users in quick succession - our vast experience in financial services ensures that we know how it is done well. We use MI4ID’s participatory and observation research tools at both the moment of decision and the moment of action.

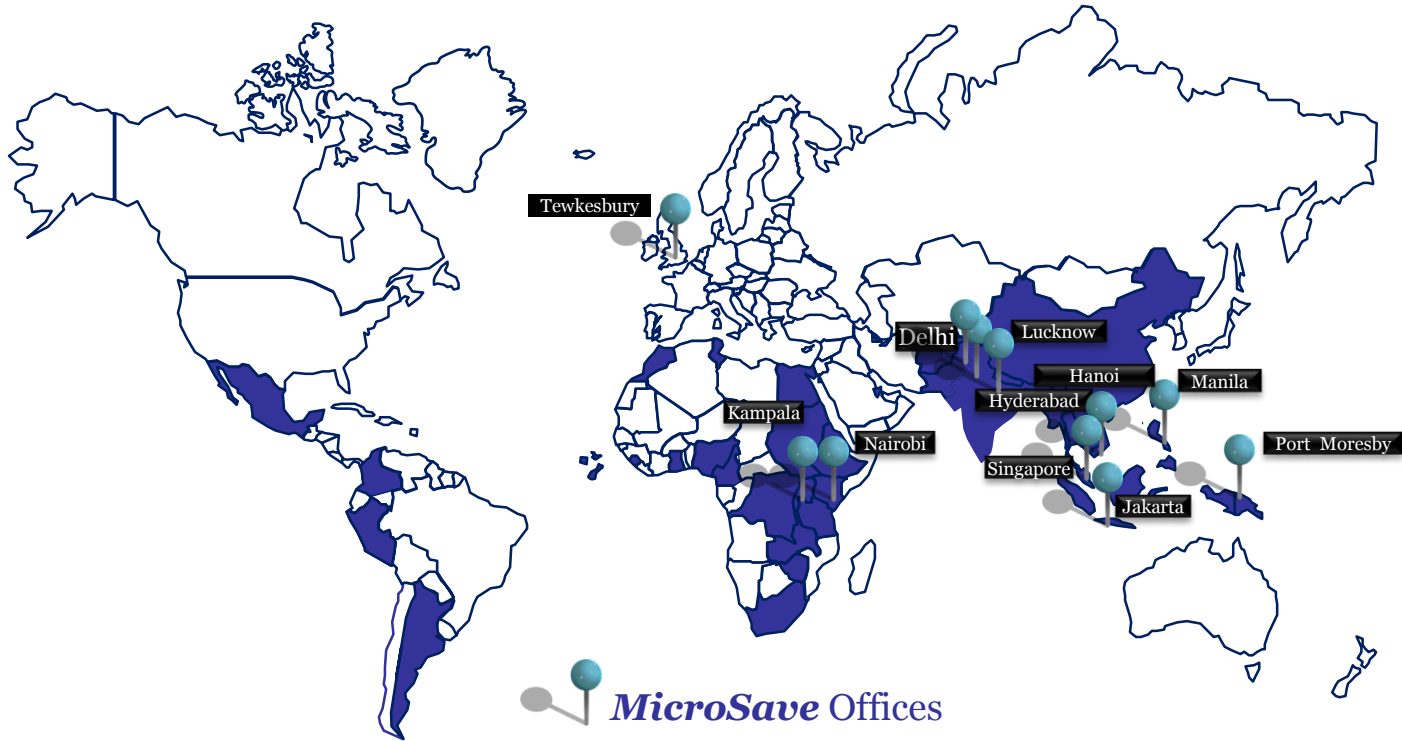
[Behavioural Economics and User Centred Design – Opening Up New Vistas in Research Processes](#)



How Can You Benefit From MI4ID?



MicroSave
www.microsave.com



MicroSave Offices

India Head Office: Lucknow
 Tel. +91-522-2335734
 Fax: +91-522-4063773
New Delhi Office:
 Tel. +91-11-41055537/38
Hyderabad Office:
 Tel. +91-40-23516140

Kenya Office
 Shelter Afrique House,
 Mamlaka Road,
 P.O. Box 76436, Yaya 00508,
 Nairobi, Kenya.
 Tel. +254-20-2724801/2724806
 Fax: +254-20-2720133

Uganda Office
 Ntinda Ministers Village
 Plot 27, Valley Drive
 P.O. Box 29111
 Kampala, Uganda.
 Phone +256-312 202342
 Mobile:
 +256-706 842368

UK Office
 The Folly, Watledge Close,
 Tewkesbury,
 Gloucestershire
 GL20 5RJ
 UK
 Tel. +44 1684-273729
 Mobile: +44 796-307 7479

Philippines Office
 Unit 402, Manila Luxury
 Condominiums,
 Pearl Drive corner Gold Loop,
 Ortigas Center, Pasig City,
 Metro Manila, Philippines.
 Tel. +(632) 477-5740

Indonesia Office
 ANZ Tower 23rd Floor, Jl. Jend.
 Sudirman Kav. 33A,
 Jakarta Pusat 10210, Indonesia.
 Tel.+62 21 2954 6828/29
 Fax: +62 21 2954 6889

PNG Office
 Corner of Musgrave Street and
 Champion Parade,
 Port Moresby, Papua New Guinea.
 TeleFax No. +675 321 8823/321 8854

Singapore Office
 3, Shenton Way, #13-06, Shenton
 House, Singapore (068805)
 Tel.+65 673 47955

Contact us at info@MicroSave.net, research@MicroSave.net