

Banking Sector Approaches

to Customer Engagement and Capability



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Introduction

Innovative financial institutions are integrating features that help build financial capability into their product design – and both banks and their customers stand to benefit. Using insights from behavioral economics, some banks have designed products that help customers better manage their finances while simultaneously increasing customer engagement and loyalty. This brief is a collection of case examples in which mainstream financial institutions involved in financial inclusion are building customer financial capability to pursue greater and more effective product use.

We use the term “financial capability” rather than “financial literacy” because it steps beyond customers’ knowledge to their actual behavior. As viewed through a behavior-focused lens, a financially capable customer is one who uses financial products effectively and cultivates healthy financial habits. Customers may work to build financial capability in any facet of their financial lives, and a bank seeking to engage customers could address one or several of these facets, depending on its goals. Specific financial capability goals, for example, could involve building a better credit score, saving more money, or repaying a loan on time. The value of the financial capability approach is that it seeks to understand the motivations, fears, and recurring biases that shape customer behavior and then respond to them in ways that build confidence, good habits, and active product use. Financial capability is an especially important consideration when engaging with lower-income customers in emerging markets for whom formal financial services may be new or unfamiliar. It assists people not only to use products better, but also to choose more suitable products when necessary.

Financial capability is the combination of knowledge, skills, attitudes, and behaviors a person needs to make sound financial decisions that support well-being.

To find representative examples, the Center for Financial Inclusion at Accion (CFI) and the Institute of International Finance (IIF) looked at both IIF member banks and other banks working in the developing world. The research team interviewed staff at financial institutions who were involved in the product development process of a particular credit or savings product. Our questions focused on elements of the product aimed at changing customer behavior. We also wanted to know how those elements informed how the institution thought about its customers.

In the following pages you will read about examples in which institutions are using behavioral insights to increase customer engagement and build financial capability. Some of these case examples represent methods and knowledge that have previously been used in microfinance, but are innovative in their deployment at scale by mainstream financial institutions. In India, RBL Bank is offering unsecured loans that allow customers to build up a credit score for the first time. In South Africa, Standard Bank leverages existing informal group savings culture combined with a lottery to incentivize and reward savings activity. In Mexico, a cooperative is “rounding up” payroll-linked loan repayments to create an auto-deduct saving

mechanism among credit recipients. In the Dominican Republic, Banco ADOPEM has shifted its financial education efforts from the classroom to the point of loan disbursement and collection, with great results. In Spain, BBVA is using existing product data and digital platforms to help customers assess and improve their financial health. In Colombia, Bancolombia is using nudges and reminders to increase account activity and engagement. In Egypt, Commercial International Bank is taking steps to decrease friction for customers using their mobile wallets. Together these examples show the use of behavioral principles such as:

- ✓ Reducing or increasing friction
- ✓ Customization
- ✓ Teachable moments
- ✓ Learning by doing
- ✓ Nudges and reminders
- ✓ Default options
- ✓ Incorporating fun
- ✓ Heuristics
- ✓ Socialization
- ✓ Automation

Building in customer insights into product design can result in positive business outcomes and building capability for customers. These examples should serve as inspiration to this effect.

We thank all those who participated in our research—particularly the executives from five financial institutions who generously shared their insights. We gratefully acknowledge the following organizations: Bancolombia, Banco ADOPEM, BBVA, Commercial International Bank (Egypt) S.A.E., RBL Bank, and Standard Bank. Please see the full list of executives interviewed in Appendix B.

We note with gratitude the insights and guidance of the Research Advisory Group Members: Jayshree Venkatesan, Guy Stuart, Siegfried Zottel, and Gabriela Zapata Alvarez.

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Case Example 1: Nudges and Reminders Increase Account Use in Colombia

BEHAVIORAL INSIGHTS AT WORK:

- ✓ Nudges and reminders
- ✓ Customized products
- ✓ Socialization

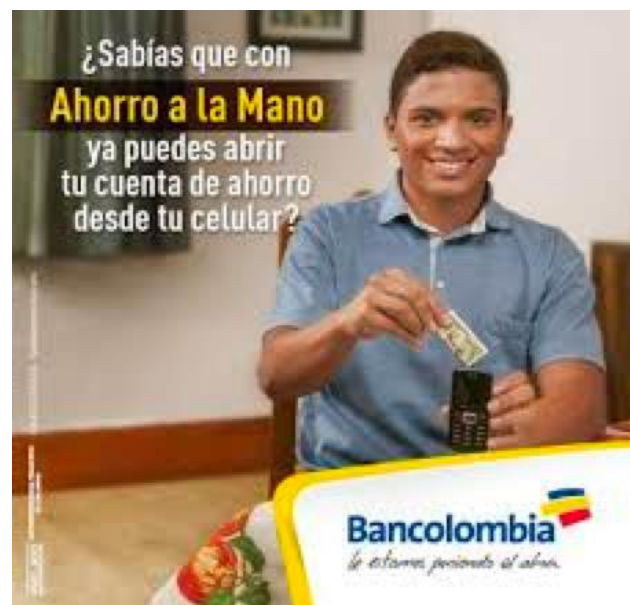
Bancolombia, the largest commercial bank in Colombia and one of the largest in Latin America, uses small prompts—nudges and reminders—via text message in order to encourage their vulnerable customers to use financial products more effectively. Previously the bank sought to reach low-income, rural customers. But with low branch penetration in these areas, they had to think of a creative way to empower people to open accounts without having to travel great distances. In response, they created Ahorro a la Mano (or “Savings at Hand”), a mobile-based product meant to increase financial capability and remove friction while also acquiring new clients.

The product, launched in 2015, is a bank account users can sign up for and access with their cell phones. For feature or basic phone users, the primary interface is a simple SMS. Smartphone users connect with a more complex app interface.

Bancolombia segments customers into groups based on criteria such as how new they are to the product, how frequently they use it, and their cash flow volume within the product. Each user is introduced to Bancolombia’s artificial intelligence chatbot, Emilia, which is powered by Bancolombia’s fintech partner Juntos (a partnership we covered in our recent report [“How Financial Institutions and Fintechs are Partnering for Inclusion”](#)). Emilia begins a two-way conversation with users. See Figure 2 for a sample conversation.¹

Ahorro a la Mano relies on the behavioral principle of “nudges.” Bancolombia and Juntos together make this strategy into a science, carefully assessing the effectiveness of different types of text message nudges and reminders to better pursue strategies that work. During their conversations with the institution, users are reminded about particular features the product offers. For example, Bancolombia knows that if a customer does not make a transaction within the first month of opening the account, she is unlikely to make a transaction at all. Emilia encourages the

Figure 1: Bancolombia's Ahorro a la Mano account



Bancolombia's Ahorro a la Mano mobile account acts as both a savings account and a platform for increasing customer engagement.

¹ Kelly, Sonja, Dennis Ferenzy, and Allyse McGrath. "How Financial Institutions and Fintechs Are Partnering for Inclusion." July 2017.

new customer to use the product by pointing out opportunities to transact within the first month. Messages are analyzed so that those which translate into customer action reveal what words and nudge techniques lead to behavior change. Emilia's nudges and reminders improve and build trust with clients over time. Eventually, customers feel so close to Emilia that they even share their problems with her and are more likely to respond to and accept her suggestions.

Figure 2: AI chatbot Emilia, powered by Juntos



Figure 2: Bancolombia's chatbot Emilia is operated by its partner, Juntos. Juntos takes into account Bancolombia's goals for each customer segment, and keeps conversations lively by analyzing which words and messages lead most effectively to behavior change.

According to Juan David Correa Carmona of the Financial Inclusion Strategies group at Bancolombia, knowing customers and setting clear targets is key. Carmona shares, "Our different strategies for different segments of customers ensure that they use the product in a way that will benefit them." Most of the users of Ahorro a la Mano are rural. They have low salaries, are informally employed, and are unable to travel far from their homes. This customer segment—the 800,000 who currently have the account and those Bancolombia would like to attract—have specific needs that, through Emilia's helpful nudges, Bancolombia can work to address.

Recently, Bancolombia noticed that many of their customers needed small amounts of credit to mitigate cash flow irregularities. Since Ahorro a la Mano is a platform for engagement in addition to being an account, Emilia was ready to reach out and offer a targeted customer segment small loans. Many said yes, and nearly half of those who accepted the loan had never before used formal credit. With the help of Emilia, Bancolombia is able to ensure high repayment rates on this product.

Following the success of Ahorro a la Mano, Bancolombia is seeing other uses of technology-enabled nudges and reminders. Nequi, only available on smartphones, targets youth who might not otherwise seek out a relationship with a bank. Nequi is technically the same product, but geared toward young people, and uses an altered interface and brand. Bancolombia structures customer journeys for these customers using chatbots in the same way it does for users of Ahorro a la Mano. At this point, three years into the product's existence, nearly half of customers with Nequi actively use the product.²

In addition to savings, transfers, and small credit, Bancolombia is considering other products and services it can deliver through this platform. The product meets Bancolombia's dual goals of sustainability and being a "bank for everyone." Bancolombia will continue to update it for current customers and adapt it to the needs and engagement style of new customers.

² In Bancolombia's reported figures, "active" refers to at least one transaction every six months.

Case Example 2: Lotteries Nudge Community Savings Higher in South Africa

BEHAVIORAL INSIGHTS AT WORK:

- ✓ Reward substitution
- ✓ Availability bias
- ✓ Socialization

In South Africa, one institution built a lottery incentive into a legacy group savings product. Group savings products have been in the market for decades across financial institutions in the country. But Standard Bank builds on the human tendency to play the lottery in order to encourage balances above a particular level.

Lotteries seem “illogical,” but people all over the world play them. Humans have an “availability bias,” meaning that they think winning is a more realistic possibility when they see others winning. Standard Bank adds to this the concept of “reward substitution,” by rewarding reaching and maintaining savings goals with the hope and fun of possibly winning a sizeable monthly payout. It is common for South Africans to save through informal savings groups or clubs, sometimes called stokvels. Individual members contribute to a group “pot,” leveraging the discipline imposed by a social network in order to build savings discipline into their financial lives. Group savings are usually used for a specific purpose, like funeral expenses, wedding expenses, or even bulk food purchases shared evenly among group members. Savings are held in cash by one of the members. There are roughly 800,000 stokvels in South Africa, and the aggregate savings held in these groups is estimated to total about \$4.5 billion (throughout this paper, “\$” denotes U.S. dollars).

Banks in South Africa believe these savings groups could save more, with greater security, in the formal financial system and so most large banks in South Africa offer some form of stokvel savings account.

Standard Bank’s group account—called the Society Scheme Savings Account—starts with two or more co-signers. These co-signers go through a “know your customer” (KYC) process, and once approved, the group or any individual member may make deposits into the account. Any two members on the account

Figure 3: Standard Bank uses a lottery to encourage savings



The Aretshepaneng Burial Society, a savings group focused on saving for expensive funerals, wins Standard Bank’s monthly savings lottery in South Africa.

can jointly make decisions about transfers and withdrawals. The groups receive interest on their savings that is consistent with market rates, a feature lacking in informal arrangements. For groups that maintain balances above \$8,500, interest rates are 3.5 percent; all groups with a positive balance receive interest, starting at 1.75 percent.

What we focus on in this case is the lottery (or, as the bank calls it in the South Africa context, "competition draw") – a feature of the account that promotes financial capability through self-discipline and "reward substitution." To incentivize savings, groups that maintain a minimum balance of about \$500 are entered into a monthly lottery to win about \$50, and once a year, groups that maintain this balance of \$500 are entered into a lottery to win \$5,000. Not coincidentally, this balance amount is also the threshold at which a group's transactions no longer require monthly account management fees. The average group balance is \$1,700, well exceeding the minimum required to be entered into the lottery, but low enough for the lottery to have a meaningful incentive effect.

The lottery makes it more fun for groups to maintain the self-discipline required to increase their savings. Groups set goals for their savings on the assumption that they could win the lottery. Even though they are deferring other financial opportunities, the possibility of winning is a positive reinforcement of the behavior. Groups are even more motivated to save when they see other people winning. When there is a chance to win, and even more so when they see other groups winning—they overestimate the probability of winning in a way that helps them to meet their goals.

The product's longevity serves as an example of the long-term sustainability of products that integrate financial capability into the business case, and the addition of the lottery underscores Standard Bank's willingness to work to make the product even more effective. The product has been positive for Standard Bank, which uses the account as a way to acquire new customers at a low cost and low risk, increasing its market share while keeping balances high. Because customers named on the account have already gone through a KYC process, they can open individual investment or savings accounts as well. In fact, 60 percent of customers transfer funds from the group account into individual products rather than cashing out their share of the group balance. According to Mike Ramolahlehi of Standard Bank, "There are significant benefits to creating a product that best engages this segment. These customers are very low risk for us, and we acquire them at a low cost. As we move these funds from the informal to the formal sector, we can encourage people to save more, allowing us higher working capital. Once these customers are in our system, we pursue opportunities to offer them other appropriate products." The number of Standard Bank group savings accounts continues to grow by 10-15 percent per year. The product consistently meets the bank's goals for revenue growth and profit margins.

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- Tony Pick, Standard Bank

Case Example 3: Mobile Platform Facilitates “Frictionless” Product Adoption in Egypt

BEHAVIORAL INSIGHTS AT WORK:

- ✓ Friction reduction
- ✓ Customization

If a financial account is too difficult or time consuming to use, customers are much less likely to actively use them. Egypt’s Commercial International Bank (CIB) is addressing this by building a streamlined digital customer experience to increase access to, and use of, their product offerings.

CIB Egypt pursues greater customer capability and empowerment by reducing friction costs on a mobile platform. CIB introduced “Smart Wallet” in 2015 in partnership with Mastercard and Fawry, an electronic payment network provider. Modeled after the mobile wallets that have seen success in East Africa, CIB’s Smart Wallet is a mobile money platform that allows users to digitize their transactions. The Smart Wallet is open to both account-holders and non-account holders. The only requirements are a verified national ID and an Egyptian mobile number. Identity verification takes place at a CIB branch or with a CIB agent. Customers must repeat this process every three years in order to continue making financial transactions on the platform.

CIB has focused on building individualized product offerings for customers by partnering with employers and using payroll as an opportunity for onboarding. In the case of ride-sharing company, Careem Egypt, 22,000 drivers receive their salaries directly into their Smart Wallets. Once the funds are there, these drivers can send money to other users, pay their bills, top-up their mobile credit, buy things in certain stores and online outlets, and cash-in and out from any of CIB’s ATMs or agents.

As is the case with many mobile wallet platforms, CIB’s Smart Wallet serves as an on-ramp to formal financial services for many. In fact, 40 percent of those on the platform do not hold a bank account at any formal financial institution. For them, as well as existing CIB account holders who obtain a Smart Wallet, the platform serves as an easy access point to other services.

CIB is reducing friction for customers by using transaction data to better assess and meet their needs, especially those of low-income customer segments that were previously unserved. CIB analyzes consumer

Figure 4: CIB encourages usage by reducing friction



CIB’s Smart Wallet enables customers to send money to other users, pay their bills, top-up their mobile credit, buy things in certain stores and online outlets, and cash-in and out from any of CIB’s ATMs, agents or at any Fawry Retailer.

behaviors in order to extend access to additional products and services at timely moments. For example, CIB is using transactional data gathered on the Smart Wallet platform to offer credit.

For Careem drivers, CIB customizes product offerings based on the employee's interactions with their company. CIB creates mathematical algorithms based on the spotted patterns and behaviors. The bank can use this data, for example, to top-up drivers' working capital needs at specific times, based on risk analysis over the payment behavior in the wallet.

CIB is also working with employers to tailor payroll loans to smooth employee credit needs. CIB analyzes the customer journey with the account into which incomes are paid, looking not just at balances but also at lifestyle, consumption behavior, and financial flows in and out of the account. From these data, CIB can assess risk and repayment capacity, building a custom product for the employee.

These efforts on behavioral research show that people are far more likely to take up a service when it is offered during a time of change, such as during another financial decision or at the beginning of the month or even week. The likelihood that someone might respond to an offer increases more when "friction costs"—anything that makes adoption difficult—are eliminated. On an integrated platform such as Smart Wallet, CIB is able to eliminate even the smallest of barriers by offering services via just a few clicks.

"Right now the response rate when compared to our traditional banking channels is three to five times. We address the customer at the right time, with the right product, based on their behavior."

- Mohamed Sultan, CIB

The data-driven product offerings are leading to greater uptake and usage of a variety of financial products: customers on the Smart Wallet platform are three to five times more likely to respond to a new product than those reached through traditional banking channels. CIB is exploring additional ways to reduce friction in the onboarding and identity verification process. In partnership with other banks, CIB is exploring a blockchain-enabled KYC verification platform which would allow a customer's identity verification to be shared between institutions.

Case Example 4: No Income Proof Loans Build on Existing Capability in India

BEHAVIORAL INSIGHTS AT WORK:

- ✓ Customization
- ✓ Teachable moments
- ✓ Learning by doing
- ✓ Nudges and reminders

"We need to understand that lower-income customers are often more disciplined than others in higher-income profiles."

- Madhan Mohan, RBL

Through its No Income Proof credit product, RBL Bank in India is helping small business owners build their understanding of, and future access to, formal credit. The product is built around the understanding that

these business owners have the potential for positive financial behaviors even if they don't document their finances in a way that exhibits traditional financial literacy.

RBL Bank developed the No Income Proof product in response to a lack of formal income documentation among small-business owners in India. Initially, the bank tried to onboard more customers by lowering the standards for income verification, but it found that many customers lacked even informal documents on their businesses. Instead of responding with classes and modules on how to document expenses in a way that banks could recognize, RBL met customers where they are. The bank overhauled the entire proofing process and developed a product that would allow it to serve these customers without formal documentation. The No Income Proof loan begins with a one-time cash-flow assessment by a loan officer, followed by a series of activities to validate the information gathered. In the end, eligible customers receive a credit offer between INR75,000 and INR200,000 (approximately \$1,150 and \$3,070), with a term of 10-24 months.

The high level of resources required to assess and onboard customers of the No Income Proof product is paying off for RBL Bank. In fact, it is the bank's most profitable product, with a delinquency rate of less than one percent over two years. This is especially noteworthy when considering that 100 percent of the customers with a No Income Proof loan have never before borrowed from a formal financial institution.

From a customer perspective, the No Income Proof loan offers lower interest rates than informal creditors and provides a pathway to greater financial access. The loan builds financial capability by enabling customers to learn by doing. Instead of being informed about how to properly prepare documents for banks, customers have the opportunity to dive in and prove their diligence and payment behavior.

The product also incorporates knowledge transfer at a teachable moment. At the time of loan disbursement, each customer is taken through a credit literacy module which informs them of the terms of the loan. The timing of this messaging is important, as research shows that information provided at points of decision or change is much more likely to influence behavior.

The module also explains what they need to do to continue receiving credit from formal financial institutions. Every single customer who takes out a No Income Proof loan is borrowing for the first time from a formal institution, and therefore taking the first step toward establishing a credit score. The module explains the consequences

Figure 5: RBL Bank Meets Customers where they are



RBL Bank customer Rohini Walekar used a loan from RBL Bank to build her food enterprise, Shantai Enterprise, from a three-employee operation to a 24-employee business.

of delinquency and how their payment behavior will be documented by the national credit bureaus.

Once a customer begins using the product, timely nudges and reminders help them stick to their payments. On the first of each month, each customer receives an automated call reminding them that the loan is due on the fifth of the month. Customers who have bounced checks during their loan term receive a follow-up call on the third or fourth of the month, and eventually an in-person visit from a loan officer if they continue to struggle with on-time payments. After a No Income Proof loan, customers who had no formal financial footprint now have a credit score that can be used to gain access to more capital. In meeting customers where they are in terms of documentation, RBL Bank is building financial capability by enabling current and future access.

Case Example 5: Automating Savings at a Credit Union in Mexico

BEHAVIORAL INSIGHTS AT WORK:

- ✓ Automation
- ✓ Increasing friction

Acreimex, a savings and credit cooperative in Mexico, has built savings into payroll loan repayments so that customers are able to save painlessly.

Acreimex built this option by combining its two most popular products. Acreinómina is a payroll credit product that Acreimex offers through partnerships with over 400 employers. Ahorramás y Más (A++) is the institution's primary savings product which every customer has by default—but doesn't necessarily use. Acreimex began making loans to customers through Acreinómina and "rounding up" the repayment in order to make a deposit in A++. Payments were small enough, between \$5 and \$28, that they were hardly noticed. Customers were made aware of the program and given the opportunity to opt-in at the time of their loan disbursement.

Through this design, Acreimex built on the principle that people will be more likely to take a desired course of action if it takes less "work" for them. Automated options like savings built into loan repayments takes the mental work out of the decision to save. These kinds of automation structures are being used across the financial system to incentivize people to make better financial decisions regarding retirement planning, credit score building, debt repayment, and more. The way Acreimex is leveraging this principle, however, is accessible and easy for the customers they serve, many of whom might not be familiar with formal financial products.

In this case, the customer never sees the money they are depositing in their accounts. As the repayments on Acreinómina are automatically debited from customer payroll, customers do not have the opportunity to spend the savings unless they go through the work of withdrawing the funds from the A++ account—which takes an extra step. Saving as an automated option, therefore, creates a structure in which saving is more likely to happen.

The combination of products resulted in significant increases in savings activity and balances. Participants made about twice as many deposits and saved about 30 percent more than those who did not participate in a controlled study on the combination of products. Only four percent of participants withdrew the balances from their accounts over the 12-month pilot.³

Customers who participated in the pilot recognized the value of saving automatically. One noted, “If you have your salary handy, you spend it.” Keeping money out of sight keeps it from being used on unnecessary purchases.

For Acreimex, the accounts offer a number of institutional benefits. First, they are able to cross-sell, equipping customers with products beyond their initial entry into Acreimex’s product landscape. Second, Acreimex gets greater visibility and brand recognition from customers. Because of Acreimex’s unique partnerships with employers to offer Acreinómina, their brand often sits in the background, powering the loans but not recognized by consumers. Increasing customer use of the A++ account affords Acreimex greater market recognition. Finally, Acreimex’s capital increases more than it would without the hybrid product.

Case Example 6: Transforming Traditional Financial Education in the Dominican Republic

BEHAVIORAL INSIGHTS AT WORK:

- ✓ Socialization
- ✓ Incorporating fun
- ✓ Learning by doing
- ✓ Customization
- ✓ Heuristics

Figure 6: A++ Account balance and account activity

	Monthly Median Balance	Monthly Average Deposits
Participants in hybrid product	\$1,711.53	1.5
Non-participants in hybrid product	\$1,323.63	0.8
All members with accounts	\$1,574.19	0.8

In many countries, banks are either mandated or feel a responsibility to provide financial education. Research has shown time and time again that traditional classroom-based education does little to change financial behavior, so some banks are finding ways to revamp financial education offerings to make them more

³ Figures were reported in Lauren Oldja and Gabriela Zapata. <https://nextbillion.net/stealthy-saving-building-on-payroll-credit-to-automate-savings/>

behaviorally oriented. Dominican Republic-based Banco ADOPEM has done this by transforming the messages and channels they use to educate customers.

Figure 7: Banco ADOPEM brings financial capability to life



Telenovela "Contracorriente" integrated financial decisions into the storylines of female characters, serving as an example of positive financial behavior.

In partnership with Women's World Banking, Banco ADOPEM created a soap opera to reach large audiences with financial management tips. *Contracorriente*, an 18-episode telenovela, incorporated female characters and story lines that highlighted the benefits of savings. Beyond the screen, Banco ADOPEM ran a campaign to distribute these same messages through branches and agents, and a two-week cast tour brought fans of the show right to branch locations.⁴ By displaying characters who demonstrated certain

financial behaviors, Banco ADOPEM tapped into the power of social influence and role models to change behavior. Research shows that people are far more likely to change their behavior if they see others making this behavior change, even if the others are fictional characters. In addition to using entertainment channels to build a more informed and engaged customer base, Banco ADOPEM has incorporated heuristics into financial education and customized offerings for target segments.

For small-business owners, the bank has found great success in heuristics-based education. In a study conducted by researchers from a number of institutions, including the Massachusetts Institute of Technology and Innovations for Poverty Action, Banco ADOPEM customers attended either a traditional accounting-based financial education class or a class built on simple rules of thumb. Specifically, the second class focused on separating business accounts and personal accounts, equipping participants with methods to accomplish this. Each class lasted between five and six weeks and in the end the customers who received more practical and simplified rules of thumb displayed more positive business outcomes. These customers experienced a 30 percent increase on average in the level of sales during bad business weeks and saved an average of six percent more. Moving forward, the bank has adopted the rules of thumb method of education for many of their small-business trainings.⁵

Banco ADOPEM has also developed specific trainings for farmers that include financial education combined with technical assistance. The bank developed a module with eight key topics for agricultural

⁴ "Can a Soap Opera Help Women Save?" Women's World Banking. January 22, 2015. Accessed March 02, 2018. <https://www.womensworldbanking.org/news/blog/can-soap-opera-help-women-save-financial-education/>.

⁵ Drexler, Alejandro, Greg Fischer, and Antoinette Schoar. "Keeping It Simple: Financial Literacy and Rules of Thumb." American Economic Journal: Applied Economics. Accessed March 02, 2018. <https://www.aeaweb.org/articles?id=10.1257%2Fapp.6.2.1>.

producers, including how to improve productivity, obtain a certification to access preferential markets, and use more sustainable crop management practices. Bank agents have been thoroughly trained on both financial management and crop management and even incentivize participation through preferential interest rates for those who adopt environmentally sustainable practices.

In an effort to target another segment of the population, Banco ADOPEM has developed a youth savings account which incorporates fun and allows students to learn by doing. After having seen enthusiasm from students during traditional financial education modules, Banco ADOPEM developed a product to help students begin saving. The Mía account was launched in 2010 for youth up to 24 years of age. Upon signing up (with a parent if they are under 15), kids and teens receive an aluminum piggy bank which they are encouraged to bring to the bank once it is filled up. Similar programs have shown a statistically significant difference in attitudes toward saving among young participants.⁶ In building a product for young people, Banco ADOPEM helps foster the financial capability of long-term customers and also engages their parents. For example, nearly 20 percent of parents opening accounts for their kids are new to the bank and adults with children with Mía accounts have higher balances and borrow more from the bank.⁷

“All this budgeting and financial education helps improve the payment behavior. This offers higher product retention rates.”

- Eva Carvajal de Toribio,
Banco ADOPEM

Overall, Banco ADOPEM’s efforts to-date to innovate in financial education have led to better outcomes for the bank, together with more informed and engaged customers.

Case Example 7: Customizing Heuristics for the Over-indebted in the U.S.

BEHAVIORAL INSIGHTS AT WORK:

✓ Heuristics

In the United States, Arizona Federal Credit Union customized a set of heuristics (rules of thumb) for credit card revolvers—individuals who carry expensive debt from month-to-month—in an attempt to reduce debt. The intervention was simple. Arizona Federal showed an ad to a sample population through emails, targeted advertisements, and refrigerator magnets. The ad contained a simple heuristic: “Don’t swipe the small stuff. Use cash when it’s under \$20.” Out of a population of nearly 14,000 people, those who saw this rule of thumb carried on average \$104 less credit card debt over the period of the intervention.⁸

Figure 8



⁶ Ssewamala, Fred M., and Leyla Ismayilova. 2009. “Integrating Children’s Savings Accounts in the Care and Support of Orphaned Adolescents in Rural Uganda.” *The Social Service Review* 83(3): 453–72.

⁷ Newton, Ryan. “Five Things Any Youth Savings Program Needs.” CGAP Blog, May 20, 2015.

⁸ All figures and success rates from: https://www.urban.org/sites/default/files/publication/83986/an-evaluation-of-the-impacts-of-two-rules-of-thumb-for-credit-card-revolvers-1_0.pdf

For younger cardholders, the effect was much larger. On average, for consumers under 40, those who received the rule of thumb had \$173 less in credit card debt. This group also had a higher savings rate. Their balances rose \$283 higher on average than those who did not receive the intervention.

“Empowering customers with any form of financial counsel, whether nudges or more in-depth education, is the right thing to do and ultimately benefits the financial institution in terms of customer trust and loyalty.”

- Ronald Westad, Arizona Federal Credit Union

Arizona Federal found that it did not matter how the message was delivered. The emails, targeted advertisements, and refrigerator calendar magnets all seemed to have the same effect. It was the heuristic itself—a catchy and memorable phrase—that changed behavior.

The development of this heuristic was not instantaneous. The development team—which included external consulting expertise—experimented with a number of different combinations of words and phrases, testing them with consumers to ensure that they resonated. This development process points to the importance of user testing and piloting before rolling out an intervention on a large scale.

Now that they have this heuristic, Arizona Federal is exploring additional ways of leveraging it to change customer behavior in positive ways. For example, they are developing a methodology to allow users to customize it to their particular situation, adapting the threshold for using cash. They are also working to establish a commitment device that allows consumers to clearly and in writing define their goals as they relate to their use of credit cards. For instance, users could commit to not using a credit card for morning coffee. Arizona Federal hopes that this process and the example it sets will mean lower cost interventions and higher success rates.

Case Example 8: BBVA Mobilizes Customer Data to Improve Financial Health

BEHAVIORAL INSIGHTS AT WORK:

- ✓ Customization
- ✓ Rules of Thumb
- ✓ Socialization

In September 2017, BBVA launched Bconomy, a digital platform which enables customers to better understand their financial health and take steps to improve it. The platform grew out of BBVA’s interest in better using existing data to add value to the customer experience. Fueled by data analytics, the platform utilizes a number of behavioral insights to encourage positive financial behavior.

Bconomy is integrated into BBVA's customer banking website and smartphone application, and is available to all customers in Spain. The customer journey begins with the customer receiving a financial health score between 0-100. The scoring mechanism was built by the BBVA data team. It uses available data on customers' BBVA accounts, as well as data on the financial products they are using at different institutions. Of course, customer permission is required for access to the latter. Overall, the tool builds a financial health score off of four metrics: the monthly savings of the customer in relation to their income; the emergency savings available; spending on housing as a percentage of income; and spending on outstanding debts as a percentage of income. The metrics are built around the common financial planning rule of thumb that suggests that 50 percent of one's income should go to fixed expenses, 30 percent should go to variable expenses, and 20 percent should be saved.

After receiving a score, customers may elect to dive deeper into the components of their score. BBVA intentionally added this step into the journey to build customer trust in the calculation. The number on its own may feel arbitrary, but the simple breakdown of scoring into four categories provides greater context.

Beyond offering a simple assessment of one's financial health, the scoring in different categories also feeds into a customized journey for customers. Customization has proven to be a powerful force to shift learning from passive to active. Instead of being guided to a generalized list of tips, customers receive a selection of areas for improvement as well as tools which facilitate this action. For example, if a customer is spending too much money on variable expenses, such as nights out, the platform may ask if the customer would like to receive a push notification whenever their variable spending exceeds a designated amount.

Bconomy also provides customers with an opportunity to benchmark their spending in different categories with that of their peers. Customers can select a number of demographic characteristics, such as age and income bracket, to see if their spending levels are below or above the average in their peer group. This tool utilizes the great power of socialization. People are heavily influenced by what they perceive their peers are doing, or in this case, spending.

It took a collection of internal BBVA teams, including but not limited to the data, user experience (UX) and legal teams, a total of nine months to build Bconomy. However, Manolo Moure, BBVA's Director of Digital Business Strategy, is quick to point out that Bconomy did not come out of thin air. It is part of an evolution in philosophy during which the bank is increasingly focused on building solutions that help clients get a better sense of their finances. The idea was also informed by regular client testing and focus groups.

Figure 9



Since launching a little over eight months ago, the platform has reached an average of two million users per month, with around 80 percent accessing the tool through the mobile app. BBVA has its sights set on launching Bconomy in other markets in South America and Europe. The bank has already launched a simplified version of the financial health check in Mexico. For BBVA, Bconomy serves multiple purposes. On one hand, the platform is helping build the bank's brand as a trusted financial partner of customers, which the bank sees as a crucial positioning for long-term success. On the other hand, the tool is offering access to valuable financial data from other institutions that may eventually inform product development and marketing strategy.

“From my understanding, in the future, you will have to offer customers more, beyond the pure financial product. You will have to bring them a nice experience where you are offering piece of mind and trust.”

- Monolo Moure, BBVA

Developing Products for Customer Engagement

The road to a successful product does not require a degree in behavioral economics. But it does require intentionality and a good understanding of what makes customers tick. Bancolombia has to compare nudges and reminders to customer behavior to be able to track what works. RBL Bank needs a baseline understanding of the most effective ways to remind customers about repayment, whether that's through SMS or voicemails. Acreimex has to design the choices it offers consumers in such a way that customers find it attractive by removing friction from product use. Arizona Federal tested a set of 11 important words, knowing that when it got these words right, impact would follow (and if not, it would be a waste of marketing funds). In each case, banks had to build more time, more analysis, and more customer knowledge into their processes and systems.

These case examples illustrate that it is possible to integrate behavioral insights in the development of a product in a way that supports active usage and good financial habits among customers of financial institutions. By nudging customers to be more informed and engaged, the banks in these examples are developing opportunities for cross-selling, lowering customer acquisition costs, building customer creditworthiness, increasing capital, and building market insights. Alongside the benefits to these institutions, these case examples show the benefits to customers of higher creditworthiness, more savings, greater self-discipline, increased financial sector participation, and greater adoption rates.

Once established, however, these products or interventions distinguish these banks from their counterparts in the industry. In a crowded market environment in which every major financial institution offers a group savings account, Standard Bank stands out by being the institution that gives money to one lucky group each month. In the way it partners with employers and particular customer segments, CIB Egypt builds as customized an experience as possible, creating a particular use case around customer needs, preferences, and patterns. Each institution offers a niche service through the product, which is critical in the financial inclusion space as banks recognize the profit potential in an emerging group of consumers.

APPENDIX A: Interviews

Institution	Name	Title
Banco ADOPEM	Eva Carvajal de Toribio Engels Fortuna	Executive Vice President of Business Product and Channels Manager
Bancolombia	Juan David Correa Carmona Mauricio Munera Palacio Lina Maria Osorio Restrepo	Financial Inclusion Analyst Director, Financial Inclusion Financial Inclusion Analyst
BBVA	Manolo Moure	Director, Digital Business Strategist and Product Lead
Commercial International Bank (Egypt) S.A.E.	Mohamed Sultan Amin Khairy Islam Zekry	Chief Operating Officer Risk & Support Functions Analytics Manager Chief Data Officer
RBL Bank	Madhan Mohan	Senior Vice President & Head - Swadhaar MSME Initiative
Standard Bank	Mike Ramolahlehi Tony Pick	Manager, Savings Products Portfolio Head, Savings and Investment Products

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Mainstreaming Financial Inclusion: Best Practices is an initiative to facilitate learning and action on how mainstream financial institutions around the world can reach underserved populations with quality financial services. The project is completed in partnership with the Institute of International Finance (IIF) and the International Finance Corporation (IFC), with support from MetLife Foundation.



MetLife Foundation was created in 1976 to continue MetLife's long tradition of corporate contributions and community involvement. Since its founding through the end of 2017, MetLife Foundation has provided more than \$783 million in grants and \$70 million in program-related investments to organizations addressing issues that have a positive impact in their communities. In 2013, the Foundation committed \$200 million to financial inclusion, and our work to date has reached more than 3.5 million low-income individuals in 42 countries. To learn more about MetLife Foundation, visit metlife.org.

About the Center for Financial Inclusion at Accion The Center for Financial Inclusion at Accion (CFI) is an action-oriented think tank that engages and challenges the industry to better serve, protect, and empower clients. We develop insights, advocate on behalf of clients, and collaborate with stakeholders to achieve a comprehensive vision for financial inclusion. We are dedicated to enabling 3 billion people who are left out of – or poorly served by – the financial sector to improve their lives.

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INCLUSION

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The Institute of International Finance (IIF) is the global association of the financial industry, with close to 500 members from 70 countries. Its mission is to support the financial industry in the prudent management of risks; to develop sound industry practices; and to advocate for regulatory, financial and economic policies that are in the broad interests of its members and foster global financial stability and sustainable economic growth. IIF members include commercial and investment banks, asset managers, insurance companies, sovereign wealth funds, hedge funds, central banks and development banks.

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