Knowledge Leadership

The Road to Inclusion

A Look at the Financially Excluded and Underserved

MasterCard Insights

2Q 2014

About This Paper

There has been a growing need to understand what financial inclusion means and gain insight into the way in which people are included financially across emerging markets. Specifically, insights are needed on what the impact of being financially 'excluded' or 'underserved' is on people's everyday lives. Those who are financially excluded have little access to many of the services that others may take for granted. While these target groups may have access to a basic bank account, this still does not automatically provide access to electronic payments.

There is a growing need to look at how organizations can mobilize around these groups towards financial inclusion.

A key part of this seeking of knowledge relates to profiling and gaining insights on those target groups across various markets that are not currently part of financial inclusion; instead deemed as financially excluded or financially underserved. Definitions of these two key groups are:

- **Financially excluded** – target groups without any access to formal banking services or any traditional relationship with a financial institution
- **Financially underserved** – target groups who are likely to have some sort of traditional account, but no access to any form of electronic transactions such as debit, credit or prepaid cards

In general, those who are financially excluded have little access to many of the financial services that others take for granted, including the everyday bank account. Those who are financially underserved may have access to more basic financial services, but remain excluded from the technologically advanced, mostly electronic offerings.

Focusing our research on these two key groups provides untapped insights into the everyday lives and perceptions of those who are currently 'hidden' from most financial institutions. It uncovers their reasons for not generally being part of their market's financial inclusion, and provides a better understanding of how they could become involved in the future.

Wanting to better understand and address the needs of these two key target groups from a cross country perspective, MasterCard commissioned Ipsos to conduct a research study which consists of ethnographic and quantitative approaches across six culturally diverse markets— namely, India (Mumbai), Indonesia (Jakarta), Vietnam (Ho Chi Minh City), Philippines (Metro Manila), Egypt (Cairo), and Nigeria (Lagos).

An in-depth understanding of thirty six (36) households was conducted across markets (n=6 per market), looking qualitatively at how these target groups live day-to-day. In each market, we targeted five segments: young persons, migrants, small business owners, retirees and Opt Outs (used to be financially included – six months ago or less, but no longer either by choice or due to circumstances).

The quantitative phase of this study consists of a total of n=604 people of the two target groups across six markets. These were face-to-face interviews, conducted on a door-to-door and/or street intercept basis. Each survey took, on average, 20 minutes to complete.

For the quantitative element, no quotas set to be nationally representative among these target respondents. This is because there are no reliable official estimates of people belonging to the two target groups. This survey may, therefore, not be truly representative of the actual profile of financially excluded or underserved in the market surveyed.

In summary, the two broad research objectives of this study were to:

- Generate a detailed understanding of the financially excluded and underserved target groups across different markets

- Understand the entry points to financial inclusion, including the target group's potential/propensity to adopt electronic payments/prepaid accounts

More similarities than expected

Even though the markets that were researched are culturally diverse and geographically dispersed, some similar outcomes and trends have evolved across the study. This has enabled the emergence of some common themes which we have focused on in this paper, to deliver combined insights that can be applied to a wide variety of markets.

In addition to providing a combined profile of the average financially excluded and underserved target groups, the common themes are that money management mostly remains via traditional means, financial institutions like banks are currently not playing a larger role in their lives, prepaid cards could be an entry point into financial inclusion, and access to technology is limited.

In conclusion

These themes, which are generated from the research data, form the narrative of this paper.

This research was conducted by Ipsos on behalf of MasterCard from Quarter 4 2013 to Quarter 1 2014.

Table 1.

Market (total surveys conducted)	Number of people interviewed from financially excluded group	Number of people interviewed from financially underserved group
Egypt (100)	46	54
India (100)	49	51
Indonesia (104)	51	53
Nigeria (100)	54	46
Philippines (100)	50	50
Vietnam (100)	50	50

Who are the Financially Excluded/Underserved groups?

A comprehensive study of the financially excluded and underserved

These research results provide some thought-provoking, perhaps even stereotype-challenging insights into who are the financially excluded and underserved target groups.

The average age ranges from 28 years in Nigeria to 41 years in Philippines. Thus, a typical member of the target groups could be said to fall in the economically active age group. Most do, in fact, claim to be currently working. More than 50% in Indonesia, Vietnam, Egypt and Nigeria say that they are currently working. The proportion of working people was relatively lower in India (just 26%) and Philippines (at 42%).

Given the current levels of employment, the lack of financial inclusion among these target groups seems significant.

What is even more revealing is that most of them have achieved secondary education or above. The education levels are very high in Philippines, Vietnam, Egypt and Nigeria (ranging from 79% to 91% for secondary level and above education).

These education levels indicate a stronger potential than may have been expected to reach out and educate these target groups about the benefits of financial inclusion.

However, with the average monthly household income ranging from US$ 200 to US$ 500, there could be a common issue of low disposable income, translating into a lower likelihood of wanting to take on what they could perceive as extra financial expenses and commitments.

As will be seen in a later section on savings and expense habits, this lack of disposable income may be one of the primary reasons for being financially excluded/underserved.

Chart 1. Demographic Profile of Survey Respondents

	Egypt	India	Indonesia	Nigeria	Philippines	Vietnam
Average Age	41 years old	37 years old	36 years old	28 years old	41 years old	33 years old
Working People	63%	26%	51%	64%	42%	61%
Average Monthly Household Income	USD 300	USD 200	USD 200	USD 200	USD 350	USD 500
Senior Secondary and Above	79%	65%	66%	91%	91%	80%

Vietnam has relatively higher household income compared with the rest— potentially providing greater opportunities to target for financial inclusion.

Over half of the target groups interviewed have lived in their current city all their life. This could indicate a level of familiarity and comfort with the economic and financial workings of their country.

Stronger role of neighborhood/friends/family

Based on the ethnographic research it is evident that political unrest in some countries leads to a sense of insecurity which in turn may exacerbate the need to control finances in a way that is familiar and trusted. This unrest causes anxiety over job security and general future prospects— a bigger problem than how to transact money you potentially may not ever earn!

> *"I'm worried about not being able to graduate and find my dream job due to the current political situation which is affecting living standards in Egypt."*
> *~ (Egypt, 19 years old, Excluded)*

> *"Our government is not stable and it's affecting everything. Our education quality is deteriorating and there are no employment opportunities even after graduating with a university degree."*
> *~ (Nigeria, 24 years old, Excluded)*

The ethnographic research also revealed issues with current infrastructure especially in Nigeria. Frequent power outages which occur at irregular times is a way of life for the target group in Nigeria. As will be seen later, this has implications in their adoption levels of technology.

Does financial exclusion lead to social dependency?

This research has shown, for various reasons that conventional forms of banking and financial inclusion are not working for these groups. Financial exclusion and social dependency seem to be inextricably linked, and being financially excluded/underserved clearly leads to a strong reliance on their social network in times of need.

Vinod in India, because of unforeseen circumstances like sickness, turns to his trusted community to borrow money. At the age of 51, Vinod had a heart attack. With limited income, he had no extra money to pay for unbudgeted and big-ticket expenses like hospitalization. As his community's way to support him and his family and on their own initiative, his neighbors pooled money together and paid for all his bills. Though repayment was expected, there was no pressure to pay back within a certain period and there was no interest charged. He explained that this was not an unusual situation in his local area: at times of dire need, sympathy and good will of close friends drive community spirit. Many people come to such agreements, and it is preferred to borrowing from an institution.

Another example is Dele, a 57 years old man in Nigeria, who owns a small packaging business. Due to the slowing down of the economy, sales have also slowed down and cash flow has been a problem. This is a big issue for businesses as there are operating expenses, such as purchase of materials that need to be procured before the customer makes full payment. To solve this, Dele comes to an agreement with some of his loyal customers for a payment scheme that requires full payment when the project is commissioned. This way, he has cash on hand to not only buy the necessary things for the project but also help fund the operating expenses of other projects. Again, an agreement like this is preferred compared to an institution, as there is no interest charged on the loan.

Money Management

In most markets, salary is the most common payment type received; ranging from a high of 59% in Vietnam to a low of 15% in Philippines.

An encouraging feature is that there is a small section of the target group who use banks for receiving these payments. Of those receiving a salary, the proportion of those using a bank in some form (direct debit, receive cash but deposit in bank) ranges from 20% in the Philippines to a high of 75% in Nigeria.

Both the financially excluded and financially underserved still live within a cash economy. This is unsurprising given their current perceptions about banks (mentioned in detail later in this document).

Besides salary, relying on friends and family for money is also prevalent across markets, especially in Vietnam (63%), Philippines (51%) and Indonesia (40%).

When it comes to expenses, the majority of their expenses are for items such as clothes, transportation, food and telecom.

Given their current lack of access/familiarity with payment cards or electronic payment methods such as direct debit, these expenses are paid predominantly in cash.

Most also claim that they do not pay rent for their current accommodation either because they are living with others (friends/family/funded home) or someone else pays their rent. The proportion of those claiming to not pay rent ranges from a high of 71% in Philippines to 21% in Egypt. Of those who pay their own rent, they still use cash to do so.

Savings regimen/controlling expenses

The ethnographic research shows interesting savings habits across markets. Most tend to not save with financial institutions.

Money is saved either in the form of cash at home or through some social saving schemes.

For those with families, the savings were primarily for their children. Putting aside money for education is a priority we see across markets. A significant portion of Vinod from India's income goes to support his son who is pursuing his MBA. In a highly competitive workforce market, having a post graduate degree is an advantage. He believes that this is key in getting a good job thus securing his son's future. This led him to being prudent about other expenses especially when it comes to himself and his wife, such as not replacing their very old box-type TV at home.

Chart 2. Type of Payment Received in the Past Three Months

	Egypt	India	Indonesia	Nigeria	Philippines	Vietnam
Salary	39%	23%	40%	20%	15%	59%
Payment from family/friend	2%	10%	40%	17%	51%	63%
Pension payment	9%	2%	3%	–	3%	1%

In Egypt and Nigeria, instead of saving money for the future, having money to spend now was perceived as important. In these markets, having money to spend among friends or buy goods was seen as necessary to maintain one's status among their peer group.

Nora of Egypt, 17 years old, depends on her parents to pay for everything. She feels there isn't a pressing need to save for the future, as she has her parents' financial backing. She spends without thinking and splurges on branded clothes and bags. In her peer group, there is pressure to maintain a certain image through material things, so as to not stand out as someone who is not 'cool.'

Keeping cash in closets

The ethnographic research allowed us to observe where excess cash is kept. A common safekeeping area is in their cupboards, where it is often not noticeable to others. There are many reasons for such behavior, other than the prevention of getting their money stolen in situations of house theft; it also reduces the temptation of spending their money if they constantly see it. Saving in coin jars is still prevalent for some markets such as Vietnam, Philippines, and Egypt. It is also common for housewives in India to accumulate a little from their daily household budget to use as an emergency fund for unexpected spending.

> *"I save my money in my cupboard, where I can't see it. So I don't have the temptation to spend."*
> *~(India, Retiree, 63 years old, Underserved)*

In India, savings were also done by buying some gold items whenever they could afford it. This was also seen as preparing for their children's wedding as buying gold jewelry is perceived as customary on such occasions.

> *"Once every two years, I would buy gold with my savings. It is good because when my children get married, we have to give gold, so it's a sort of an investment."*
> *~(India, Migrant, 39 years old, Excluded)*

Saving with a group of people

Specific to markets like Egypt and Indonesia, saving is often with a group of people. For example, Indonesians save through 'Arisan' (a form of rotating savings, through social gathering), and savings for Egypt through Gam'eya (social money pooling).

> *"I save my money with a guy in the village that I know. He is a prominent figure who everyone recognizes and I feel that my money is safe with him..."*
> *~(Indonesia, Migrant, 31 years old, Excluded)*

There is perhaps an opportunity to use such respected "neighborhood opinion leaders" to educate the target groups on the benefits of financial inclusion.

Borrowing is the last resort

Findings from the ethnographic research indicate that across the markets, borrowing is seen as a last resort. In Egypt, it is seen as negative and demeaning. In many cultures the preference would be to borrow from relatives or close associations than financial institutions. This appears to be tied in with the need for control over one's financial situation and is linked with lack of familiarity/perceived transparency with both bank cards and credit cards in general.

> *"I can control my daily expenses because I know how much money I spend every day rather than through a bank card. A bank card balance won't be easily visible, to feel and control my purchasing as well."*
> *~(Vietnam, Opt Out, 47 years old, Excluded)*

Keeping track of expenses

Tracking expenses is a daily task for the underserved and excluded. A habit of meticulous planning has been put in place to ensure that their hard earned money is well spent. With these groups of people, they find joy knowing their expenses are kept within their budget, with a little more to spare.

The most common way of tracking expenses is usually through mental accounting where people have a very clear idea of where their money goes without much formal accounting. This is critical in order to ensure that there is enough money to tide them over until the next inflow of income.

There are also people like Jennylyn, 27 years old, in the Philippines that prefer to keep a record of the expenses. She regularly keeps receipts and lists of expenditure in a notebook dedicated for this purpose. Though it is cumbersome to keep a paper trail, she finds this critical to keep account of her own spending. Another way to ensure that she spends within her means is to create a list of items to buy before going to the store. This helps her stay focused on the task on hand and avoids the temptation of picking up unnecessary items. By doing this, she feels rewarded at the end of the day.

Banking

Easing safety concerns

A point of entry into financial inclusion is by addressing safety concerns with cash. Across markets, there are concerns in carrying cash. These concerns are of three types

- Perceived safety in keeping cash at home
- Fear of losing cash/being robbed
- Fear of overspending if carrying cash

"I like the idea of a card because I don't have to carry cash in my pocket. When I travel, I won't be afraid of the armed robber. Since there is nothing on me, they will not expect me to have anything."
~(Nigeria, 63 years old, Underserved)

"I feel that our house is safe so I don't feel the need to deposit my money in the bank."
~ (Vietnam, Opt out, 47 years old, Excluded)

Security is perceived as the main benefit a bank can offer. Almost half the target group cited banks as a safer place to keep money than as cash at home.

Another benefit of banks is the interest that they offer on the money kept in bank.

Chart 3. Main Benefit of Opening a Full Bank Account

	Egypt	India	Indonesia	Nigeria	Philippines	Vietnam
Keeping money in a bank account is safer than keeping cash	49%	48%	39%	56%	38%	24%
I could earn interest on my money	24%	31%	9%	14%	39%	22%

Chart 4. Main Reason for not having a Full Bank Account

	Egypt	India	Indonesia	Nigeria	Philippines	Vietnam
I do not have enough money	16%	34%	15%	41%	31%	11%
I do not want/need an account	24%	16%	5%	17%	6%	5%
Cash is needed on a daily basis	5%	4%	26%	4%	7%	15%

Current household incomes are generally low (around USD 200 per month). This results in lower disposable income and thus leading to the perception that they do not have enough money for using a full bank account i.e. an account that enables them to take out loans, overdrafts, credit/debit cards or cheque accounts.

Not having sufficient money is cited as one of the main reasons for not having a full bank account (as high as 41% in Nigeria and 34% in India).

Many simply say that they do not need a bank account.

For Ayinde in Nigeria, 50 years old, the inconveniences that come with owning a bank account outweigh any perceived benefit. Standing in line to be served takes up most of her day, something that she cannot afford as a small business owner. Most telling also is that many of the excluded and underserved in Nigeria are not literate. Processes such as registration and ordinary bank transactions are perceived to be complex and intimidating.

There is also the issue of perceived transparency of banks when it comes to bank fees. Susi Indah of Indonesia, a 37 year old, used to have a bank account where she kept her savings. Three years ago, she had IDR 35 million in the bank. She withdrew most of it when she was building her home and left IDR 1-2 million in the account. Not being aware of bank fees, she claims that 'her money started disappearing' without explanation. This incident made her distrustful of banks in general and pushed her to end her relationship with the institution.

Across all markets, there is reluctance to adopt the usage of ATM cards. From a financial standpoint, this is considered a risk—there is high possibility of forgetting the pin code and in turn "money is stuck." There is a perception especially among older people that there is a possibility of never regaining access to the money anymore. Other reasons of potential loss of money to the ATM are technology failure; offline ATMs that "eat your card."

The ethnography also revealed the lack of knowledge on how to use an ATM, especially when it comes to withdrawing money. In India Harishchandra, 63 years old, owns an ATM card but almost never uses it. He felt that the process of withdrawing money from the ATM machine is complicated and one mistake on his part would cause him to lose his money. Hence, as a precaution, he avoids using the ATM card at all.

> *"There is so much tension especially when I am going to the ATM machine. If I can't remember my pin number, my money will get eaten up..."*
> *~ (India, 63 years old, Underserved)*

Trust with Banks and Other Financial Institutions

Trust levels are generally high for local banks. This ranges from as high as 80% and above in Egypt and Nigeria, above 70% in Indonesia and Philippines and above 60% in India and Vietnam.

Trust levels for multinational banks and global payment card brands, perhaps due to low familiarity, are generally lower than that of the local banks.

Bank officers are also seen as credible sources of information on financial products and services.

Communicating safety and interest on money could potentially encourage the financially excluded to start using banks and would also encourage the financially underserved to use banks more often than cash. This could also, perhaps, make the banks more relevant to their current life and could result in fewer people saying 'they do not need a bank account.'

Global financial institutions could tie-up with trusted local banks could leverage on the perceived credibility of the bank officers towards financial inclusion of this target group.

Prepaid Cards

Awareness, Perceived Advantages and Disadvantages

In the ethnographic research, the first association to the term 'prepaid card' was a prepaid card for mobile phones. The association with mobile phones and the term 'prepaid cards' is very strong.

"Prepaid card? This is where the amount you put in is balance amount you can only spend. Yes I have heard about this and I know it is only used for the mobile phone."
~ (India, Opt out, 29 years old, Excluded)

In the quantitative survey, prepaid cards were explained as bank cards where you top up the balance on your card to then buy goods and services.

Most claimed to be aware of prepaid cards, ranging from a high of over 80% in India, Indonesia and Vietnam to 59% in Philippines.

Chart 5. Awareness and Usage of Prepaid cards

	Egypt	India	Indonesia	Nigeria	Philippines	Vietnam
Awareness	67%	83%	86%	65%	59%	80%
Usage	1%	0%	2%	0%	4%	4%

Encouragingly, most mentioned control over spending and not having to carry cash around as the key advantages of a prepaid card.

Managing day to day expenses, as seen in the ethnographic research, is very important to the financially underserved/excluded groups. In the survey, as high as 40% of the target group across markets mentioned 'control on my spending' as a key benefit to owning a prepaid card.

As mentioned earlier in this document, there are strong safety concerns with carrying cash among the target group. Across markets, as many as 30% and more mentioned 'not having to carry cash around' as an advantage of owning a prepaid card.

These two perceived advantages
- Ability to control spending, and
- Not having to carry cash

could be used as entry points towards financial inclusion for the financially underserved/excluded.

Chart 6. Perceived Advantages of Owning a Prepaid Card

	Egypt	India	Indonesia	Nigeria	Philippines	Vietnam
Ability to control spending	**44%**	**41%**	**31%**	**26%**	**42%**	**14%**
Not having to carry cash	**18%**	**36%**	**39%**	**53%**	**40%**	**35%**

The main concern across markets with prepaid cards is that they might lose the card. In the ethnographic research, it was clear that many were unsure of the process of replacing a lost card and generally assumed that it would be a difficult process. A related concern is that somebody may pick up their lost card and use it.

Education about the ability to block a card that has either been lost or stolen, in order to protect their money, as well as the ability to receive/obtain a replacement card, should be promoted in order to increase the uptake of prepaid cards amongst this group.

The ethnographic research revealed instances in India of the target group keeping their ATM card in the inner pocket of their wallet and, in some instances, into a pocket inside their shirt.

"I am scared about losing my card, so I don't use it."
~(India, Retiree, 63 years old, Underserved)

Chart 7. Perceived Disadvantages of Using a Prepaid Card

	Egypt	India	Indonesia	Nigeria	Philippines	Vietnam
I might lose the card	51%	51%	12%	56%	71%	27%
Anybody can use my prepaid card	7%	15%	10%	12%	7%	5%

Transparency of fees and limits

Another concern in most markets is the perception that they would have to pay money to own a prepaid card. This is around 10% in most markets and is relatively higher in Indonesia (22%). Vietnam, especially, also has concerns that there would be regular fees charged for using a prepaid card (13%).

These perceptions probably stem from lack of familiarity with prepaid cards and transparency of fees involved could help address these concerns.

Chart 8. Perceived Monetary Disadvantages of Using a Prepaid Card

	Egypt	India	Indonesia	Nigeria	Philippines	Vietnam
I would have to pay money to own the card	6%	10%	22%	10%	4%	13%
There would be regular fees charged	4%	5%	5%	1%	5%	13%
Not afford to put enough money on the card	6%	7%	13%	7%	4%	13%

General Interest in Prepaid cards

A prepaid card concept[1] was introduced in the quantitative research across these three measures of in-market success – 'Relevance,' 'Unique and Different' and 'Likely to Apply.'

The results are positive.

1. Prepaid card concept was explained in detail as below:

A prepaid card is a card that allows you to:
- Buy goods and services electronically at the point of sale— wherever it is accepted at home or abroad
- Purchase goods and services securely, online over the internet
- Pay money to other people, family or friends
- Withdraw cash from ATMs

Using this card is safer, faster and more convenient than cash. You can keep track of your spending with the added peace of mind that you can only spend up to the limit of the money that's been loaded on to the card— there's no risk of going overdrawn or being charged any over limit fees. The card is also easy to obtain from a wide range of locations like post offices and supermarkets even if you don't have full identification documents and, there is no credit check involved. The card can either be topped up by you with cash or, in some cases, by your employer or local social welfare benefits office.

Chart 9. Reactions to the Prepaid Card Concept

	Egypt	India	Indonesia	Nigeria	Philippines	Vietnam
Relevance	38%	65%	33%	60%	47%	35%
Unique and Different	42%	63%	38%	66%	38%	62%
Likely to Apply	51%	60%	17%	58%	31%	23%

Many found prepaid cards to be relevant; this was as high as 60% in Nigeria and India. The relevance level was generally in the 30%-40% range for other markets.

Prepaid cards were also seen as unique and different across markets.

When asked how likely were they to apply for a prepaid card, markets generally fall into three distinct groups.

- **Highly receptive markets:** Three markets were highly receptive to prepaid cards after the concept was explained. They are India, Egypt and Nigeria. More than 50% of the financially excluded/underserved in these markets state that they are likely to apply for a prepaid card.
- **Moderately receptive market:** Philippines is a moderately receptive market with around 30% stating that they would apply for a prepaid card.
- **Less receptive markets:** Vietnam (23%) and Indonesia (17%), compared to other markets, showed less enthusiasm to apply for a prepaid cards.

It is worth mentioning again that the target group is largely educated (as mentioned earlier in the document). Communicating the prepaid card in detail is likely to encourage uptake of these cards and shift the financially excluded/underserved into the financially included group.

"After being explained what a pre-paid card is, I like it now because I don't have to carry any money. I don't have to be afraid of getting robbed when I take the bus. I can relax a bit now."
~(Nigeria, Opt out, 55 years old, Excluded)

Access to Technology

Mobile phones are dominant

While the majority of people in these groups have access to some form of technology, for the largest proportion, this is to a standard mobile phone only, and access to more advanced technology is much more limited. Mobile phones are easily accessible across the markets (70% and higher)— and is far ahead of all other forms of technology.

The next most accessible technical device is a smartphone, particularly in Indonesia and Vietnam. Vietnam, especially, tends to have higher access to various technological devices than other markets. As seen earlier, among all the markets in this study, monthly household income in Vietnam is the highest— almost twice of India, Egypt and Nigeria.

Across markets, usage of mobile phone banking is low.

Ethnographic findings indicated younger target groups are more inclined to owning a smartphone. Thus, it is not surprising that there is high familiarity of social media (i.e. Facebook, Twitter) among the younger target groups. Especially for Trinh, in Vietnam, who is very keen on online shopping through her phone after watching how her friend does it. However, some concerns holding her back would be the security of online transactions as fraud is prevalent. Older target groups on the other hand own a cell phone mainly for its basic communication functions— Call and Texting. For them, there is no pressing need to be on social media, as long as they are in contact with their friends and families which they are able to do through more traditional channels.

Chart 10. Devices that the Target Group has Access to

	Egypt	India	Indonesia	Nigeria	Philippines	Vietnam
Standard Mobile Phone	69%	86%	75%	85%	87%	83%
Smartphone	17%	11%	65%	32%	25%	64%
Laptop	7%	3%	38%	5%	30%	62%
Personal Computer	13%	3%	34%	0%	31%	53%
Tablet	2%	1%	29%	2%	31%	49%

Though Abiodun in Nigeria owns a smartphone and is open to explore more advanced functions such as online shopping, the current power infrastructure does not allow him to do so. Without a constant source to electricity, there is a challenge to plan around charging electronics to fuel technology.

It is also observed in the ethnography that these target groups are still very much inclined to using mobile top up cards where they are not prone to overusage.

Managing day to day expenses was seen as very important across markets in the ethnographic research. Currently this is being done either by keeping paper bills or some form of mental accounting.

A hypothesis here is that a simple 'app' that served to educate, as well as facilitate easy budgeting, could be one of the ways to help the target group. As smartphones increase their marketshare, the potential for these groups to make use of technology in relation to their finances grows. A simple budget app on a mobile phone would be helpful for everyday budgeting and work as a simple extension of the mental accounting that already takes place.

How are women different?

Among the financially excluded/underserved group, findings among women generally are similar to that of men. In some markets, on some measures mentioned below, we do see some differences by gender.

Regular source of income an issue

In some markets, a much lower proportion of women than men claim to have received income by salary. In India, only 8% of women received a salary payment in the past three months as compared to 38% of men. Similar differences observed in Indonesia (19% women vs. 63% for men), Philippines (7% women vs. 32% men), Nigeria (6% women vs. 32% men).

In these markets, not having a regular source of income in the form of a salary could make it more challenging towards financial inclusion of women.

Banking perceptions

Perceived benefits of a full bank account did not show any major differences by gender. Similar to men, women too feel that keeping money in bank accounts is safer. Communicating safety of money in banks vs. cash is likely to resonate as strongly with women as with men.

Prepaid cards

Awareness of prepaid cards is as high among women as among men. Similar to men, women too feel that prepaid cards allow for better control over money and are as concerned about losing the card. After the prepaid card was explained, women are equally likely as men to show interest in applying for a prepaid card. The only exception observed was in Vietnam where only 11% women said they would apply for a prepaid card as against 43% of men.

Technology

Access to a standard mobile phone among women is as high as men. Smartphone access, in some markets, showed some differences by gender. In Nigeria, only 13% women said they have access to a smartphone as against 49% of men. Likewise, in Vietnam, 52% of women have smartphone access as against a high of 84% of men. In these markets, targeting women through financial services that require smartphones would be challenging.

Call to action

This paper highlighted the impact of being financially excluded/underserved, including what this means for inclusion in wider society, how electronic payments could benefit these groups of people and the way in which they could be positioned in order to have the most far-reaching impact with regard to increasing financial, and thus social, inclusion across the emerging markets. As a way forward, these are some of the implications from this research towards financial inclusion of those currently financially excluded/underserved:

A large proportion of the people interviewed are employed and also most have completed secondary school and above. Given their current employment and education levels, the lack of financial inclusion among these target groups seems significant. These education levels indicate a stronger potential than may have been expected to reach out and educate these target groups about the benefits of financial inclusion.

Neighborhood social network including friends and family play a dominant role in the lives of the target group. There is perhaps an opportunity to use such respected "neighborhood opinion leaders" to educate the target groups on the benefits of financial inclusion.

Though cash as a payment method is widely prevalent, there are strong concerns related to safety in carrying cash. Banks on the other hand are seen as safe as well as providing interest on money. Communicating bank safety and interest on money could potentially encourage the financially excluded to start using banks and would also encourage the financially underserved to use banks more often than cash. This could also, perhaps, make the banks more relevant to their current life and could result in fewer people saying 'they do not need a bank account.'

Local banks are seen as trustworthy and bank officers are seen as credible sources of information on financial products/services. Global financial institutions along with trusted local banks could jointly promote relevant financial products/services to the target group.

The paper highlights that prepaid cards could be used as an entry point for financial inclusion. The two main perceived advantages of prepaid cards are:

- Ability to control spending, and
- Not having to carry cash

These advantages are likely to strike a chord with the target group as managing and tracking expenses and safety concerns in carrying cash are uppermost in their minds.

Also, a hypothesis here is that a simple 'app' that served to educate, as well as facilitate easy budgeting, could be one of the ways to help the target group. As smartphone uptake increases, the potential for these groups to make use of technology in relation to their finances grows. A simple budget app that could be used on a mobile phone would be helpful for everyday budgeting and work as a simple extension of the mental accounting that already takes place.

There are some concerns around prepaid cards which would need to be addressed. These concerns are primarily about losing the card and someone else using their lost/stolen card. Education about the ability to block a card that has either been lost or stolen, in order to protect their money, as well as the ability to receive/obtain a replacement card, should be promoted in order to increase the uptake of prepaid cards amongst this group.

Communicating the benefits of the prepaid card in detail is likely to encourage uptake of these cards and shift the financially excluded/underserved into the financially included group.

When we look to the future, it is important to bring the financially excluded and underserved on this transformational payments journey and, as part of this, prepaid cards and other types of basic payment accounts have a real role to play in the drive for greater financial inclusion.

All people, irrespective of their own personal circumstances, should have an opportunity to participate in the global economy. However, millions of people around the emerging markets lack access to the most basic financial tools, and this limits their personal options. They don't have secure places to save money, reliable ways to transfer it, or safe ways to transport it.

Financial exclusion can perpetuate poverty. It slows the economy down. Bringing basic financial services to the financially excluded/underserved is, clearly, an obvious commercial opportunity, but more importantly, it’s a meaningful opportunity for society as well.

www.mastercard.com

MasterCard