

Building Digital and Financial Capabilities of MFI Clients

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BHIM	Bharat interface for money
IVR	Interactive voice response
MFI	Micro-finance institution
QR code	Quick response code
RBI	Reserve Bank of India
UPI	Unified payments interface

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Executive Summary

The Problem

Despite the near universalization of bank account ownership in India, the limited adoption of digital financial services due to technological instability, lack of infrastructure, potential fraud, lack of trust, risk aversion and limited digital and financial literacy has hindered financial access and inclusion for underbanked communities, especially women in remote areas. The challenge lies in empowering these communities to adopt digital financial services and providing the necessary support to bridge the information gap, enhance digital literacy and trust, and achieve the goal of Digital India.

The Intervention

Sa-Dhan has conducted multiple rounds of training for Microfinance Institution clients and last-mile agents across India to bridge the information gap and improve digital literacy for financial transactions. In 2022, Sa-Dhan conducted training in the West zone (Mumbai, Maharashtra and Ahmedabad, Vadodara in Gujarat) of the country and in 2023-24, we facilitated a round of training in Raipur, Chhattisgarh to improve digital adoption through training, demonstrations and hand-holding activities.

Methodology

The methodology comprised two phases of training targeting women microfinance borrowers and loan officers, aiming to promote digital financial services adoption. Behavioural science principles were integrated, employing relatable narratives, leveraging existing mental models, and using analogies to engage and retain audiences.

Initially, a baseline assessment evaluated the knowledge and awareness levels of MFI borrowers, followed by interventions to fill knowledge gaps and boost motivation for digitalization. The second phase focused on assessing changes in attitudes and behaviours towards digital and financial habits, refining best practices through gamified quizzes, educational card games, videos, ATM demonstrations, and experiential storytelling.

A behavioural experiment utilized commitment bias to positively influence digital behaviours, testing retention and evaluating the impact of training on knowledge, retention, intention, and action. Qualitative and quantitative data were collected before and after intervention, involving 412 out of 500 women in the first phase and 135 out of 251 in the second phase.

Continuous support was provided through capacity-building programs, training 482 women in Gujarat and Rajasthan in the project's final phase. Additionally, 723 loan officers and 198 financial cadres were sensitized and incentivized, reaching 54,972 individuals across Gujarat, Rajasthan, and Chhattisgarh in the last and current phases of the project.

Observations and Results

During the baseline interactions in Raipur, we found that women face several barriers in the uptake of online or digital banking services, stemming from factors such as limited financial literacy and dependence on family members for banking tasks. While proximity to banks and ATMs is generally favourable, many women lack confidence in using ATM machines independently, relying on spouses or children for withdrawals. Moreover, despite owning smartphones, their usage is primarily limited to basic functions like calling and messaging, with low confidence in utilizing UPI applications. Although there's a willingness to learn digital payment methods, this intention often doesn't translate into action due to various reasons, including a preference for cash transactions and reliance on family members for online activities, primarily stemming from a lack of confidence and trust in using digital financial services.

After the intervention was implemented, we found that the messaging and presentation of financial products can have a positive impact on savings behaviour. During the capacity-building phase of the training, there was an increase in the number of participants who used UPI to repay their microfinance loans. Furthermore, more women who attended the training saved money in banks compared to those who did not attend. The study also found that more participants had awareness about WhatsApp banking to avail banking facilities online. These findings along with the intention-action gap observed during the baseline highlight the potential for simple and low-cost interventions to encourage positive financial behaviour and inspire further research on the effectiveness of different types of messaging and incentives in promoting savings. However, it is important to note that more research and experiments would be useful in generalising these findings, and continuous monitoring and evaluation are needed to identify areas for improvement and inform the development of targeted interventions to further increase awareness and empower women to use more digital finance.

The way forward

We suggest from our learnings that financial literacy programs should consider alternative approaches that are tailored to specific cultural contexts. Understanding the context in which financial literacy education is being delivered is crucial for its success, and leveraging social proof and personal benefits can help shift attitudes toward digital banking. Additionally, complementing classroom training with tangible savings products or products to encourage the uptake of UPI applications along with regular hand-holding activities is necessary to support the learning and adoption of financial literacy practices among low-income populations.

Introduction

Context



The need for financial and digital literacy training

Financial inclusion in India has assumed various definitions over the years. The last couple of years saw a push towards bank account ownership, and due to government policies, near universalization in this regard has been achieved. The focus has now shifted towards the usage of these bank accounts facilitated through digitization. Digital adoption helps communities by improving financial access, mitigating risks associated with carrying cash, and improving access to credit. While externalities like demonetization and the recent COVID-19 pandemic have acted as supporting levers for this process, the journey has not been too easy and a lot of apprehensions exist concerning digital adoption. Technological instability, lack of infrastructure, potential fraud, failure in transactions, lack of support, and most importantly limited digital and financial literacy are among the major challenges hindering digital adoption.

To increase digital adoption to improve financial access and inclusion among underbanked communities, especially among women across geographies and in remote areas, Microfinance Institutions (MFIs) are well positioned. By empowering their clients to adopt digital financial services and providing them with required on-ground support, MFIs can play a vital role in addressing the challenge of limited financial access and achieving the goal of

Digital India. Efforts are underway and one of the solutions explored to bridge the gap between ownership and usage of financial products has been through financial and digital literacy training.

In this background, Sa-Dhan has been conducting training sessions for MFI clients and last-mile agents or loan officers who interact with these clients across the country. In 2022-24, Sa-Dhan facilitated training in central India, with its epicentre in Raipur, Chhattisgarh. The purpose of these trainings is to bridge the information gap concerning the use of digital technology for conducting financial transactions through a mix of demonstrations and hand-holding activities. Busara, a leading research and advisory firm that specializes in the use of behavioural economics and evidence-led impact generation, in association with Sa-Dhan facilitated this round of training conducted in Raipur, Chhattisgarh in 2023-24.

This report focuses on the training sessions conducted and the evaluation of the same in Raipur, Chhattisgarh.

The Training Program

Who did we conduct the training for?

While India is slowly becoming more conducive to the financial inclusion of women due to government policies, and while programs or campaigns such as Digital India have infrastructurally made access to smartphones and the internet easier, the last mile delivery still remains a challenge. The problem does not solve itself at the point where needs are met with access but also when there is a behavioural shift towards adopting the methods one has been provided access to. To address this, it is imperative that the gaps created by the lack of awareness and knowledge around new technologies are taken closer to the intention of adoption and finally, the action of continued use. Keeping in mind the behavioural shift and the effective last mile delivery, we involved stakeholders from both ends of the spectrum to enable the adoption of digital banking among microfinance women borrowers. Our target audience included the women borrowers themselves and also the Microfinance Loan Officers who not only collect repayment installments from women but are also seen as trusted agents for information around financial decision-making on different aspects like Savings, Fraudulent activities and Digital Mode of Payments etc.



What did we do: Using behavioural science to drive financial and digital literacy

We conducted two phases of training programs with the group we aimed to change behaviours for - the women microfinance borrowers, and one round of training for the Microfinance Loan officers. The training programs heavily borrowed from behavioural science principles and used techniques such as relatable narratives, capitalizing on familiar habits, leveraging existing mental models and using analogies of similar behaviours to capture the audience's attention and enable retention.

Phase 0 - August 2023

In the pre-baseline stage, we went to the communities where the MFI borrowers reside. The intention of this visit was primarily to gain more context about the women whose challenges we wanted to address. Our efforts during the visit leaned towards understanding their initial thoughts on digital methods and understanding their current realities more deeply.

Phase 1- October 2023

The baseline phase of the training program focussed on measuring the levels of knowledge and awareness among the MFI borrowers. We observed their current practices around digital financial services and bridged the knowledge gap through videos, quizzes, games and demonstrations while using behavioural science to increase the motivation and willingness to shift towards digitalisation.

Phase 2- January 2024

The endline phase consisted of assessing the change in behaviours of the women with respect to their digital and financial lifestyles, post the part 1 training. We evaluated this shift and the factors it can be attributed to. The program ended with revisional content of the best practices through gamified quizzes, educational card games, videos and experiential storytelling.

The details of the first two phases are as follows:

A. Microfinance women borrowers

Part 1(A): The digital and financial literacy training

The first part of the training program consisted of 5 broad modules addressing the following areas using behavioural science:

a. Using storytelling techniques to encourage the switch from a dormant bank account to an active bank account

The first sub-section focused on the **negatives of saving at home** by highlighting the difficulties faced during events such as demonetization and COVID-19, alerting participants about robberies or theft and putting forth the importance of being able to keep track of one's expenses in an updated passbook.

The second sub-section focused on the **positives of saving in a bank** such as earnings through interest rates. These subsections were facilitated with videos depicting relatable characters narrating stories of their experiences.

Sub-section three focused on the **best practices** of having an active bank account such as linking their phone number to their bank account, their aadhar card to their bank account, updating their passbook regularly and not sharing their bank details with anybody else. Further, this subsection also included grievance mechanisms or channels in case of fraud or other challenges that they may face. This channel consisted of stakeholders at banks and the Reserve Bank of India helpline in case of a delay in response from their bank or bank agents.

b. Demonstrations to support the switch towards digital banking

Training sessions to encourage the shift towards digital banking. Keeping this in mind, the second module consisted of demonstrations to use the facilities of **Whatsapp Banking** and **Interactive Voice Response** service to check bank balances, report fraud and get one's debit card blocked in case of theft. Further, we also virtually demonstrated how to **use an ATM card** and the best practices while using one.

c. Using shame and regret as emotional levers to improve financial Literacy and Discipline among microfinance loan borrowers

This module, through audio-visual aid and relatable characters, highlighted the **importance of repaying instalments on time** and the social repercussions of not abiding by the same.

d. Focusing on individual benefits to drive intentions to use digital financial services

Building up to the main objective of the training session, we **demonstrated the process of making a Unified Payment Interface transaction through the BHIM** (Bharat Interface for Money) application along with the process of downloading the mobile application and creating an account with a focus on highlighting the time saved by and higher convenience in using these digital

applications versus cash. Further, these demonstrations were supported by the **best practices of online transactions** to avoid falling prey to fraudulent transactions.

e. Driving confidence in using digital financial transactions by highlighting common frauds and safety practices

Finally, the idea behind financial independence is also to feel confident about not falling prey to fraud. Hence, the objective of this subsection was to **spread awareness** about the most common **types** of fraud, **how to avoid** them and **how to deal** with them in case of unfortunate situations. Using the Mahila Mitra app developed by the microfinance partner Muthoot Finance, as well as the stressing on the importance of getting insurance was conveyed through audio-visual aids.

Part 1(B): Behavioural experiment: Leveraging salience bias¹ and commitment bias² to positively change savings behaviours.



In order to understand whether savings behaviour can be positively changed by leveraging **salience bias** and **commitment bias**, we conducted an experiment with a pledge printed on two stickers of different colours designed to **increase the number of UPI payments made by the women**. In this experiment, we randomly created two groups - Participants in one group were handed a red sticker. The other group was handed a yellow sticker. The women were encouraged to stick these stickers anywhere they could

¹ Salience bias is a psychological phenomenon in which people have a tendency to **give more attention** to information that is **more prominent**

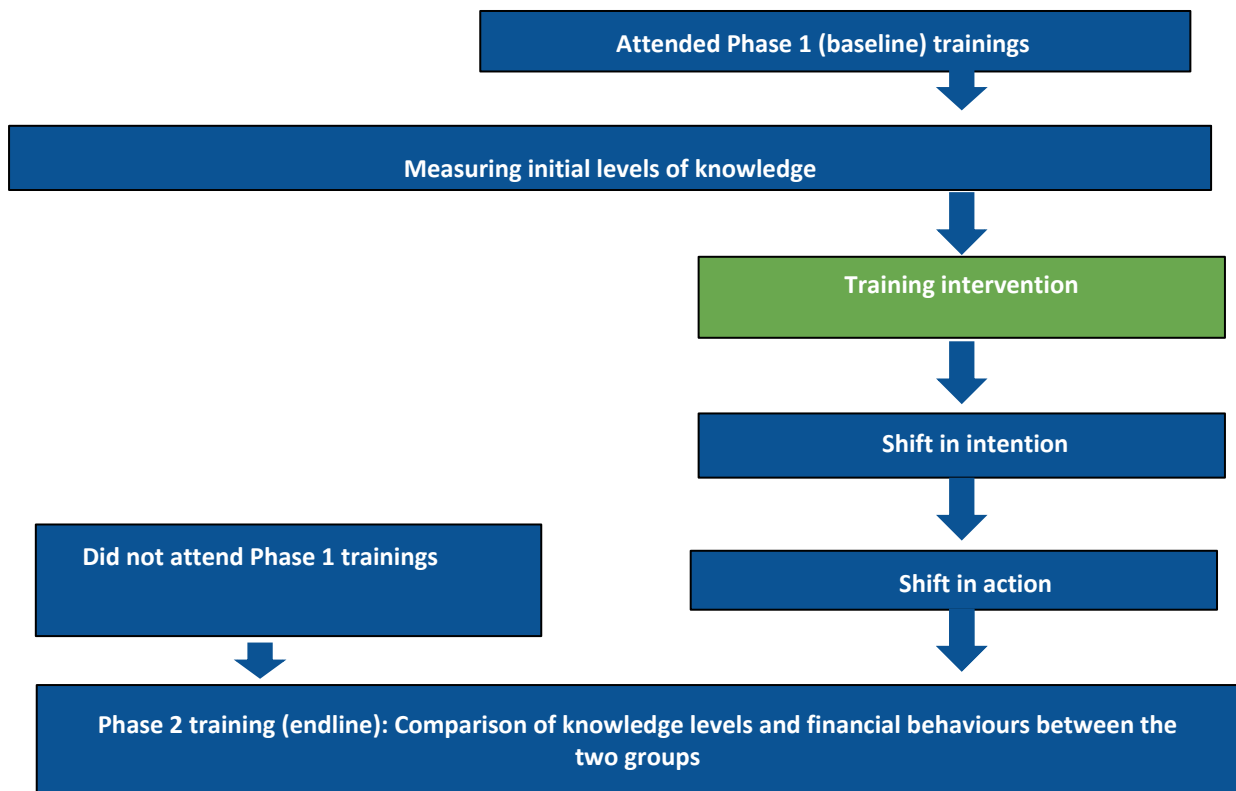
² *Commitment bias describes our unwillingness to make decisions that contradict things we have said or done in the past, especially when the decision is taken publicly. Following this, the participants publicly committed to saving in their bank accounts and signed on the envelope as a promise to themselves in the presence of their peers.*

spot frequently throughout the day, such as on their cupboards or on their kitchen cabinet. The yellow sticker also had an additional space to add in their signatures post taking the pledge. The intention was to increase the salience of the commitment made and for the sticker to serve as a cue to remind the women of their pledge. Additionally, they were made to follow a few steps listed below:

- a. Every woman filled in the number of times they pledged to make UPI payments in the next 3 months.
- b. A volunteer read the pledge out loud while other participants repeated it after them.
- c. Every woman who received a yellow sticker signed at the bottom right of the envelope after pledging to make a certain number of UPI payments in 3 months.

Part 2: The digital and financial literacy training revision and evaluation

The second part of the program primarily focused on evaluating the impact of the first round of training coupled with **hand-holding activities to increase the intention towards the adoption of digital financial services**. The main objective was to understand the knowledge, retention (memory), the change in intention and lastly, the change in action. A subset of those who attended the baseline (phase 1 training) were called for the endline (phase 2 training) along with those who did not attend the baseline training.



This part of the training consisted of the following activities:

a. Activities to test retention

We conducted games such as trivia through card matching, contextually gamified quizzes and direct-action activities such as asking participants to use a UPI application to be able to understand the basic level of **retention of participants** who attended the first training session. The questions were designed to understand the retention of information after a gap of 2 months.



b. Banking service and ATM machine demonstration

Further, as a follow-up on Part 1 of the training, we facilitated live demonstrations for women to make UPI payments to build confidence among them and inspire others to also attempt.



We also created an ATM simulation using a laptop as the ATM with cardboard cut-outs on the screen to serve as ATM buttons. Women were asked to demonstrate how to use the machine, as we handheld them through the process and cleared their doubts.

c. Street Play (Nukkad Natak)

Artists creatively engaged participants with two captivating skits meticulously designed to educate and empower them. The first performance was dedicated to elucidating the myriad types of bank accounts and payment cards, meticulously detailing their individual purposes and functionalities. Following this, another insightful skit aimed to enlighten participants about the diverse forms of fraud prevalent in the digital age, while imparting invaluable strategies to safeguard against fraudulent incidents.

Beyond the confines of traditional training venues, the artists took to the streets, transforming public spaces in and around Raipur, Satalsana, Ahmedabad, and Dungarpur into vibrant stages for awareness. A total of 12 dynamic street plays was conducted in these diverse locations, effectively disseminating crucial information about digital financial technologies and enhancing community awareness and preparedness.



d. Personal finance journals

The personal finance journal was designed to make women more vigilant and aware about their earnings, expenditures and savings. Based on the interactions with the women during the baseline, it was seen that the women lacked the knowledge or financial discipline to track their money, dividing it as per needs and wants and then identifying instances where saving could be possible. To address this, we designed a yearly personal finance journal which took the women through this process with questions for reflection and resolutions throughout the journal.



The journal first focuses on identifying the family's income streams, providing spaces for women to record each source. Afterward, participants calculate the total household income. Following this, they set a monthly savings goal, aiming for approximately 20% of their income. Additionally, the journal includes sections for women to document their loan liabilities and corresponding due dates.

This was followed by monthly expenditure tracking, with each month's expenditure divided into needs and wants, along with a space to write down the savings for the month. For each month, the women were also expected to set out a UPI payment goal, indicating the number of UPI payments they

resolved to make that particular month. Every three months, there were a few reflective questions added in the journal, enquiring about their progress such as whether they met their saving and UPI goals, as well as asking them about where they could save more money out of their expenses. At the end of all twelve months, the questions asked women to rate themselves on how well they met their goals, and reflect upon which financial decisions they were most proud of and would like to take forward into the next year along with any uses of UPI they personally benefited from.

e. Information booklets containing information from the training session



The image shows the cover and content of an information booklet. The cover is blue with white text: "महिला सशक्तिकरण के लिए वित्तीय और डिजिटल क्षमताओं का निर्माण". It features logos for Busara, Sa-Dhan, muthoot MICROFIN, and HSBC. Below the text is a photo of two women sitting on a bench, one using a laptop. The content page has a white background with a staircase graphic showing financial growth from ₹28 to ₹50,000. The steps are labeled: "दिन में बचत ₹28", "बचत की रकम ₹833", "समय से बचत ₹10,000", and "5 सालों में बचत ₹50,000". Icons of a house, car, graduation cap, and bicycle are shown. Below the graphic is the title "बैंक में बचत क्यों है ज़रूरी ?" and a list of questions under "क्या आप:".

बैंक में बचत क्यों है ज़रूरी ?

क्या आप:

- अपने बचाये हुए पैसे का हिसाब नहीं रख पा रहीं? क्या आपको नहीं पता चलता कि आपके पैसे कब और कहा खर्च हो गए?
- नकदी का उपयोग अनावश्यक खरीदारी पर करते हैं?
- घर पर पड़े पैसे की चोरी होने का खतरा महसूस करती हैं?
- के पैसे कुछ साल पहले नोटबंदी के कारण बर्बाद हो गए थे?

To enable participants of the training to retain the information taught, we distributed informative booklets that included content about the importance of saving in banks, how to manage a bank account along with the dos and don'ts of using an ATM. To enable digital banking, we included resources that would enable participants to reach out to banks via phone, contact information for WhatsApp banking with the most commonly used bank in the area and contact information for Interactive Voice Response (IVR) calling.

f. Badges to identify and encourage UPI champions in the community

We designed badges and handed them to participants who performed UPI transactions during the training. The intention was twofold: First, we wanted all participants to feel encouraged about the learning and uptake of UPI by looking up to their peers. Second, our understanding is that wearing this badge

in group meetings would help non-users of UPI identify and approach the users of UPI thereby enabling conversations about the method.



g. Using peers and messengers: In-group interactions and experience sharing

The women who attended this part of the training consisted of a mix of those who were least to most comfortable with online payments. This constituted 67% of participants who stated they were less to moderately comfortable and 26% who stated were highly comfortable³. This mix enabled us to conduct in-group discussions and interactions where women with more comfort and experience with online banking share their experiences with their underconfident counterparts in order to **build a conversation around their motivations, challenges and their experiences** through this journey of change.



³ The remaining 7% did not answer this question.

B. Microfinance Loan Officers

The intention behind conducting a training session for Microfinance Loan Officers was to build them as strong supportive pillars for their clients addressed in Part A and increase their productivity as well as to use behavioural science in their work to increase efficiency. The modules for this training included:

a. A brief introduction to Behavioural Science and how it can benefit them

The field of behavioural science, its definition, uses and applications were explained to the loan officers through interactive games and group exercises. Participants were asked to reflect upon irrational behaviours they have exhibited in their personal or professional lives, such as failing to live up to new year's resolutions, or not completing a task due to procrastination. The aim was to then introduce similar discrepancies that their clients operate upon, which might make them default on their loans, or refrain from adopting digital finance. Loan officers were made aware of how the clients' environment, memory, peers and motivation could affect their behaviour. This knowledge could further be used to better their understanding and communication with their clients.

b. Goal-setting using commitment devices

Given the important role that Microfinance Loan Officers play in the different stages of their work such as customer sourcing and onboarding, customer hand holding and recurring meetings to ensure timely repayment, we familiarised MFI loan officers with techniques for effective goal setting derived from behavioural science literature. This included three modules followed by an activity replicating lessons learnt in the modules. Participants ran through the three modules themselves, setting goals and commitment devices in their own lives to get a better sense of the process.

i. Identifying and clearly defining one's goal

ii. Breaking down goals into smaller, more attainable goals

iii. Setting one's own commitment devices

To make goal-setting sustainable at an individual level beyond training, we also designed table calendars with goals customised to a loan officer's needs.



c. Leveraging behaviour science to better client interactions

Loan officers were taught how to build trust in their clients by being transparent, open and honest about loan processes. Presenting tailored loan choices, and taking informed consent before collecting any data was stressed upon to ensure a smooth customer journey. Loan officers were taught to hand-hold clients through the digital payments right till the end, and use simple language while explaining any jargon. A few key concepts of behavioural science were contextualised and explained to the loan officers, so that they could use those principles when interacting with clients.

d. Empathy-building for understanding their clients and their repayment behaviours better through role-playing

An activity was conducted where MFI loan officers role-played a typical interaction between themselves and their client, taking into consideration any and every obstacle they can face in their journey towards repayment. These included convincing “clients” to take up a microfinance loan, making sure they are not defaulting, and encouraging UPI loan repayments. Post this, they were asked to think of solutions to overcome these and share their thoughts and experiences with everyone else. Along with building empathy, loan officers also treated this as a group reflection exercise, thereby making them more aware of the importance of going beyond their typical role to understand their clients better.

e. Their role in the switch towards digital banking for their clients and how they can enable it through the three phases of their job - customer sourcing and onboarding, customer hand-holding, repayments and recurring meetings-leveraging behavioural science.

Using behavioural science to help ensure timely repayment included techniques like:

i. **Using positive versus negative framing of communication.** For example, appreciating clients for timely repayment versus using shame and guilt to instil a negative feeling for non-timely repayment) depending on the nature of a given client, to avoid a “one shoe fits all” approach.

ii. **Understanding reasons behind why their clients do not repay on time** such as present biasedness⁴, planning fallacy⁵, inattention and scarcity⁶, in order to be able to understand what can encourage timely repayments based on specific contexts.

iii. **Encouraging mental accounting**, i.e., asking clients to segregate and keep aside money for loan repayments as soon as they receive the money. Also have a broad budget in mind for larger expenditures and future goals like education, health, and emergency savings.

iv. **Sending salient and timely reminders** while ensuring that they reach the client in time before the repayment date.

v. **Using social norms**⁷ to influence the poor repayers by highlighting how many other groups ‘like them’ make timely repayments and how members of the society feel about their peers who repay timely versus the ones who do not.

⁴ The human tendency to attach greater weight to present needs as compared to future gains which are seen far into the future. This is the reason why most people do not save and plan now, which also reflects in their repayment behaviour.

⁵ The planning fallacy is a phenomenon in which predictions about how much time will be needed to complete a future task display an optimism bias and underestimate the time needed.

⁶ Research shows that scarcity of money (as is typical amongst low income households in India) also leads to scarcity of cognitive bandwidth. With more urgent needs to worry about (rent, meals, festivals, etc.) loan repayment may not be top of mind and often gets lost due to limited attention unless complemented by a salient and timely reminder.

⁷ Social norms are typically defined as “rules and standards that are understood by members of a group, and that guide or constrain social behaviours without the force of law” (Cialdini and Trost, 1998, p. 152)

Capacity Building Policy Framework for MFI's: Muthoot Microfin and Pahal Financial Services

During this phase, we amplified our support for embracing digital financial services by providing comprehensive training and awareness sessions to both loan officers and borrowers of Muthoot Microfin in Chhattisgarh. Moreover, we extended refresher training and sensitization efforts to loan officers and borrowers affiliated with Pahal Financial Services in Gujarat and Rajasthan. These initiatives aimed to broaden our impact, reaching a larger number of beneficiaries directly or indirectly. Collaborating closely with our Micro Finance Institute (MFI) partners, we established a policy empowering loan officers to actively engage and support a significant number of beneficiaries within the community, thereby fostering financial inclusion and empowerment.

A. Muthoot Microfin Ltd:

- a) **Sensitization and Incentivization of Loan Officers and Branch Manager:** We strengthened our efforts by introducing an additional training program specifically designed for loan officers from Muthoot Microfin, who have been instrumental in supporting us throughout the ongoing phases of our program. In the current phase, we extended 11 virtual and physical training sessions to 15 loan officers and 3 branch managers. We covered 7 districts and 11 branches of Chhattisgarh through this scheme and sensitized and provided training to the loan officers to identify and take up training sessions for the Financial Cadres (Peer women among the community who know the use of technology) and train them to provide training to other beneficiaries, especially women in the community as well as to motivate their borrowers through behavioural change to adopt digital technology. We also provided them with incentives to recognize their efforts for the same.
- b) **Sensitization and Incentivization of Financial Cadres:** To fortify community engagement, loan officers took proactive steps to engage and educate 198 Financial Cadres spanning 7 districts and 11 branches in Chhattisgarh. Through immersive on-the-ground training sessions, these cadres were equipped with the tools and knowledge necessary to champion the adoption of digital technology, with a special focus on empowering women beneficiaries. This initiative aimed to facilitate their seamless integration into the digital era, enabling them to lead more fulfilling lives.

As integral members of their communities, these financial cadres played a pivotal role in efficiently reaching out to other female beneficiaries, fostering a culture of digital inclusion. Their efforts went beyond mere instruction, as they actively encouraged and supported women in embracing digital technologies. In

recognition of their dedication and impact, these cadres were rewarded for spearheading awareness campaigns aimed at enhancing digital financial literacy within their localities.

Through this concerted effort, not only were women empowered to embrace digital tools, but the entire community was uplifted, ushering in a new era of financial inclusion and opportunity.

In February and March 2024, through the synergistic efforts of our dedicated loan officers and financial experts, we successfully connected with 4515 beneficiaries, empowering them to embrace digital technology. The focal point of this transformation has been the widespread adoption of digital payments, particularly through UPI, a platform with which they are both familiar and comfortable.

Below table shows the number of beneficiaries adopting financial technologies branch wise:

Branches Covered	No. of beneficiaries
BILASPUR	639
CHAMPA	88
CHARODA	924
DHAMDHA	53
DURG	201
KHARSIA	101
PRATAPPUR	222
RAIGARH	161
RAIPUR RURAL	1712
SAKTI	388
SURAJPUR	26
Total	4515

B. Pahal Financial Services Pvt Ltd:

- a) **Refresher training for the beneficiaries from the last phase:** To optimize the impact of the initial phase of the program in Ahmedabad, Satalsana (Gujarat), and Dungarpur (Rajasthan), we orchestrated three dynamic refresher training sessions in January and February 2024. These sessions were attended by 482 participants from different villages of these three districts as most of the beneficiaries were from MFI clientele who are mainly residing in rural pockets near the districts.

Going beyond traditional classroom methodologies, we infused these sessions with interactive games and street plays, injecting vitality into the learning process. Our objective extended beyond mere instruction; we aimed to deeply embed essential concepts such as ATM utilization, UPI transactions, and fraud prevention into the participants' consciousness.

By fostering an environment of active participation and engagement, we endeavoured to ensure not only comprehension but enduring retention of vital information. These immersive experiences not only solidified their understanding but also equipped them with practical skills vital for navigating modern financial landscapes effectively.



- b) **Sensitization and Incentivization of Staff:** Pahal Financial Services exemplified an extraordinary commitment by conducting an extensive series of 45 comprehensive training sessions, meticulously designed for 705 dedicated loan officers. These sessions transcended mere knowledge transfer; they were meticulously crafted to evoke profound behavioural shifts. Their aim? To embolden women beneficiaries to embrace digital technology with confidence, specifically in leveraging UPI payments, ATM services, and POS machines.

Spanning across 35 districts in Gujarat and Rajasthan, the dedication of these loan officers transcended the confines of the training room. They became catalysts for change within their communities, directly impacting an astounding 49,975 beneficiaries between December 2023 and March 2024. Yet, this outreach wasn't merely about numerical milestones; it was about the tangible transformations

unfolding in people's lives.

In a commendable gesture, Pahal Financial Services acknowledged the unwavering efforts of these diligent loan officers by offering incentives based on the number of beneficiaries they effectively reached. This gesture not only honors their tireless dedication but also stands as a testament to their unwavering commitment to the cause they serve. Through their persistence and passion, these loan officers have become true champions in bridging the digital divide and empowering women across these regions.

Below mention table shows the month wise progress made by Pahal Financial services on the number of beneficiaries and employees benefitted by the policy:

Month	No of Districts covered	Client paid Digitally	Employee incentivised
Dec-23	35	4754	62
Jan-24	35	6069	90
Feb-24	35	19192	282
Mar-24	35	19780	271
		49795	705

Methodology



We conducted training sessions, quantitative surveys and qualitative interviews and observations with MFI clients and conducted training sessions for Microfinance Loan Officers in **Raipur, Chattisgarh**. *The evaluation of the training sessions was not conducted for MFI loan officers and hence, the following sections will cover only MFI clients.*

Sample of the Women MFI borrowers

The first round of data collection was conducted in October 2023 before we started the training sessions for MFI borrowers. We then conducted the training sessions with 500 women from urban and peri-urban locations around Raipur. Of these, quantitative data were collected from a random sample of 412 women.

Additionally, during Phase 1 (Baseline training), we also conducted training sessions for microfinance loan officers. However, no data was collected from them.

Phase 2 (endline training) of data collection was conducted in January 2024, after Phase 1 of the training, to understand the impact of the same. This second round of training was conducted among 251 women from both urban and peri-urban locations in Raipur. Out of these 251 participants, data was collected from 135 participants. This sample included both- 50 women who attended Part 1 of the training and 85 women who did not attend the baseline training.

Table 1: Quantitative sample demographics

	Phase 1 (Baseline)	Phase 1 (Training Sessions for the Participants)	Phase 2 (Consisting of Participants who attended and did not attend Phase 1)
# of respondents	50 out of 135 whose data was collected	412 out of 500 whose data was collected	135 out of 251 whose data was collected
Average Number of Children	2	2	2
Education	Uneducated - 4% below 8th grade - 60% below 10th grade - 84% Below 12th grade - 97%	Uneducated - 13% below 8th grade - 58% below 10th grade - 82% Below 12th grade - 97%	Uneducated - 26% below 8th grade - 65% below 10th grade - 79% below 12th grade - 91%
Occupation	labourers - 30% Housewife - 21% Housekeeping - 11% Cook - 18% Tailor - 9% shopkeeper - 5% Hospital worker - 2% Hotel Owner - 2% Beauty Parlor - 2%	labourers - 24% housewife - 24% Tailor - 21% Housekeeping - 6% Shopkeeper - 5% Private job - 3% Business - 3% tiffin centre - 2% cook - 2% Hotel worker - 2% Beauty Parlor - 1%	labourers- 26% Housewife - 21% Housekeeping - 13% Tailor - 14% cook - 8% shopkeeper - 8% Private job - 2% teacher - 1% beauty Parlor - 1% Event management - 1% Operator - 1%
Median monthly income	₹ 12,000	₹ 15,000	₹ 15,000

Data Collection and Analysis

Quantitative Data Collection

In the first phase of data collection, the data was collected through an instrument designed to understand the following:

- a. Access to, awareness of and current activity around banking and UPI
- b. The household agency of women in making any banking-related decisions
- c. Their ambition or purpose of saving money (in or out of banks)
- d. Practices around their responsibilities of handling expenses
- e. Perceived usefulness of banks
- f. Digital usage (smartphones, UPI usage and banking)
- g. Knowledge of Information sharing and fraudulent transactions

The second phase of data collection, with the intention to understand retention and identify changes in savings behaviour and digital adoption, contained questions around the following modules of training conducted in part 1:

- a. Perceived benefits of banking after learning more about it in part 1
- b. Best practices to maintain an active bank account
- c. Assessing the shift in banking behaviour (traditional to digital)
- d. The perceived benefits of digital banking and UPI
- e. Assessing the usage of UPI post the intervention during the baseline
- f. Retention of the knowledge around Information sharing and fraudulent transactions

Qualitative Data Collection

Additionally, the in-group qualitative interactions among women who were comfortable with online transactions and women who were not comfortable covered the following areas of discussion:

1. What encouraged the shift from cash to mobile money/digital methods?
2. What was your journey like? What were the struggles? How did you overcome them?
3. Would you recommend women who are less comfortable adopting digital methods? Why?
4. Do you think anyone can use digital methods? What according to you and according to what we have learnt are the most important things to keep in mind while performing digital transactions.

Our Learnings

This section is divided into two parts: our observations and the impact of our training sessions.

Observations and on-ground realities

1. The biggest barrier for women to not use digital payment methods like UPI were structural barriers such as not owning a personal smartphone.

When asked about the reasons behind the lack of inclination towards the adoption of UPI or other digital banking methods, the non-users interviewed stated that they did not own smartphones, and were dependent on their spouses or children to ask for a phone for their use. This drastically limits their exposure to digital services like UPI. Moreover, most of the respondents even noted that they ask their spouses or children to do their digital payments for them. Out of the small percentage that owned smartphones, they used them typically for calls, messages and photography. Even when women expressed a wish to be financially independent and learn to use UPI themselves, they faced structural barriers which prevented them from doing so.

2. Most women believed that being uneducated was a barrier for them to be able to use banks, ATM and UPI

Our interactions suggest that a considerable number of women who participated in the surveys are uneducated. These women generally expressed a lack of confidence and ability to effectively use a smartphone or an ATM and make payments. They expressed fear and uncertainty of what to expect when interacting with a digital interface. It is important to stress the ease of use of UPI, and drive home the fact that it is not necessary to be able to read or write to make a UPI payment or use an ATM card. Demonstrations of the kind conducted in the baseline, where uneducated women were called upon and made to complete online transactions using the help of the symbols and icons in apps such as Google Pay can go a long way in breaking this myth. Urging the women to keep practising and attempting to make digital payments and interacting with ATM machines can further build confidence.

“I am uneducated, so I’m scared. I need to take someone else who knows it along with me”

Participant, 36

3. The biggest driver to adopt UPI was the time saved in the process, along with the independence of not having to travel long distances.

The biggest motivator of change was observed to be the feeling of financial independence and time saved. Women spoke about how they don't have to travel to the ATM or a bank anymore, and can easily make payments through their phones at home. This benefit can be used to inspire more women to try digital payments. Other benefits like not having to carry exact change everywhere, ease of use, and protection against common on-road thefts were also mentioned.

"I attended the session with my younger son and both of us learnt how to use UPI through the session. From that day onwards I use UPI by myself on my phone. The most beneficial thing out of this is the amount of time I save, since I no longer have to stand in queues at the bank. I can avail its benefits at any time during the day, even at night!"

Beautician, 36

4. Most women were aware of basic banking practices like having to link their mobile numbers and Aadhar cards to their bank accounts. Awareness around the right redressal mechanisms for fraud and best practices regarding sharing of private information was also high.

Most women, even those who wouldn't be familiar with using ATM machines or banks, knew basics such as having to link their aadhar cards and phone numbers to their bank accounts. Awareness about the right redressal methods in case of frauds, as well as about sharing of private information was high even before the intervention delivery. This could be attributed to the success of the government schemes and awareness campaigns being run about the same.

5. For most women, the amount of money saved in banks depended on the source of their income.

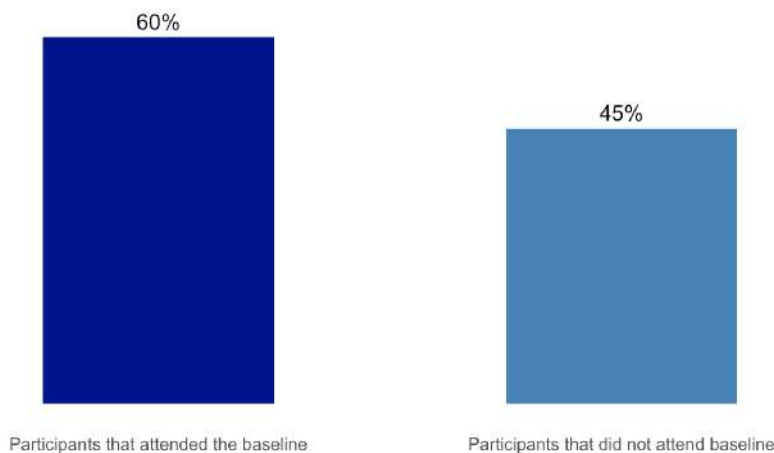
Women who earned their income directly in their banks were more likely to use banking facilities. However, since most women earned money in cash, they were less inclined to deposit their small earnings in a bank and instead saved in the house. The women realised that depositing money in the bank helped them save it, but they were unaware of its other benefits like accruing interest. Even though a lot of them possessed an ATM card, they did not use it, because they did not deposit the money in their bank accounts.

Impact of the training sessions

1. Financial education designed to encourage digital savings behaviour can improve the adoption of digital products by women borrowers. Our study found that 15% more participants who attended the baseline training saved in banks, as compared to the participants who did not attend the baseline training.

15% more participants among those who attended the baseline training saved their money in banks as compared to those who did not attend (New participants). The training modules that spoke about the benefits of saving in banks positively impacted the participants, resulting in this increase. Laying out its specific benefits, like protection against theft, demonetization, and earning additional money through interest rates could have helped raise awareness about the importance of banking and influenced women to save in banks rather than other options.

Percentage of participants that saved in banks frequently



Graph 1: Number of Participants saved in banks for the two groups

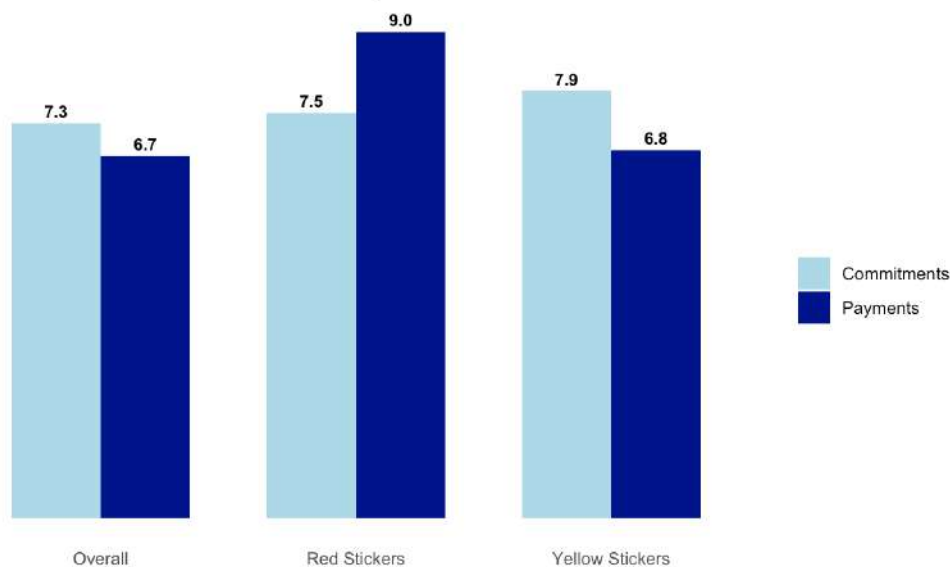
2. The participants that attended the Phase 1 training committed to make an average of 7.3 UPI payments in the next 3 months on their stickers. The average actual UPI payments done by the participants were also reported as 6.7.

The commitment stickers proved effective in encouraging participants to adhere to their commitments. On average, participants made seven commitments and successfully followed through by making seven UPI payments. The stickers played a role in increasing the salience of the topic within their households, contributing to the observed impact on the number of

UPI payments made over three months. Typically, there can be a disparity between the number of commitments made and actual behaviour, as is seen by the small reduction in the number of actual UPI payments made (6.7) as compared to the commitments (7.3). Thus, the combination of reminders through stickers and the training modules exerted a strong and positive influence on the participants.

However, the red and yellow stickers, which differed in the signing element, wherein the yellow stickers also included a space for the participants to add in their signatures after their commitments, did not have a significant difference in their impact. The addition of a signature did not enhance the likelihood of participants making a greater number of UPI payments. This lack of significant impact may be attributed to the fact that the signature did not significantly influence commitment among participants, especially when compared to the existing commitment pledge present in both types of stickers. A higher number of participants who received the red sticker, instead, ended up making more UPI payments than committed. This could be attributed to a higher salience of the colour red, which might have stood out to the participants reminding them of their UPI goals.

UPI Commitments VS Actual UPI Payments made

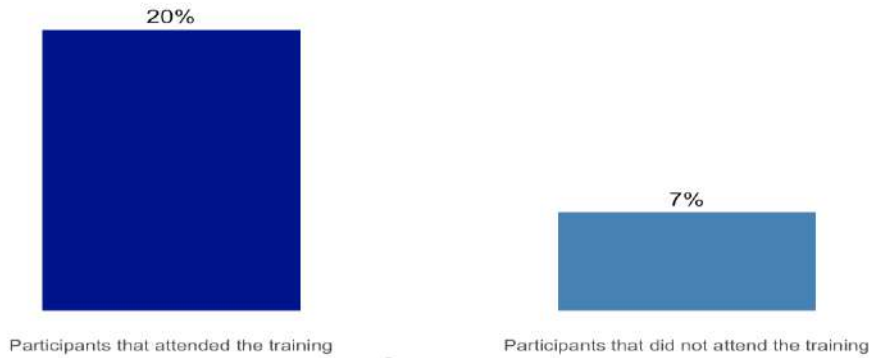


Graph 2: Percentage of UPI commitments VS Actual UPI payments made

3. 13% more women made their last loan repayments using UPI in the second phase of the training, with many using UPI as a frequent way of making purchases.

Our study discovered that participants who attended the baseline training had a 13% higher rate of using UPI to repay their microfinance loans in comparison to those who did not attend the training. This suggests that the hand-held demonstrations of the UPI payment journey taught in the training had a positive impact on digital behaviour.

Percentage of participants that repayed loans using UPI

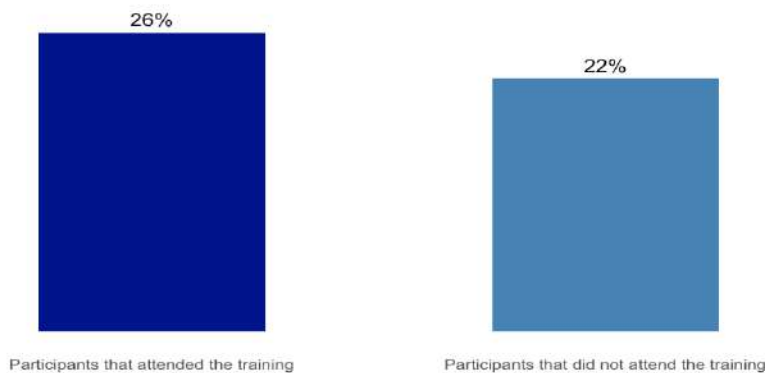


Graph 3: Percentage of UPI loan repayments made using UPI

4. 4% more women who attended the baseline training said they used UPI in the last month compared to those who did not.

A 4% point increase suggests that the stress laid on going digital and encouraging women to make their first UPI payment without the help of their family members had an impact. However, a larger impact could have been seen if women owned their own smartphones and did not have to depend on their husbands or children for their use of a smartphone.

Percentage of participants that used UPI last month

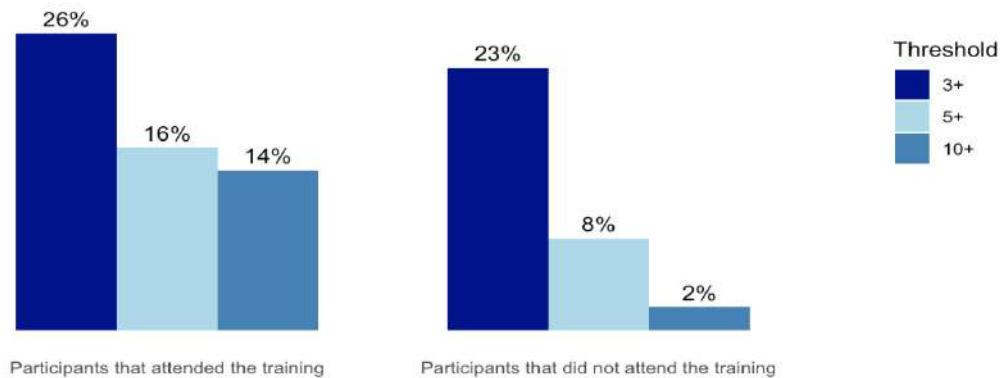


Graph 4: Participants that used UPI in the past month

5. Out of those who made UPI payments last week, 12% more women who attended the training made 10+ UPI payments as compared to those who did not attend.

An overall increase in the number of UPI payments made in the past week made by the participants who attended Phase 1 can be seen. This shows that UPI is being used more frequently by those women who attended the training, as compared to those who did not. The live UPI payment games played with the women, had a positive effect on their perceptions about UPI, and might have helped reduce the risks and alienation towards digital services that exist among them while emphasising its quick, easy and efficient nature.

Percentage of participants that used UPI last week

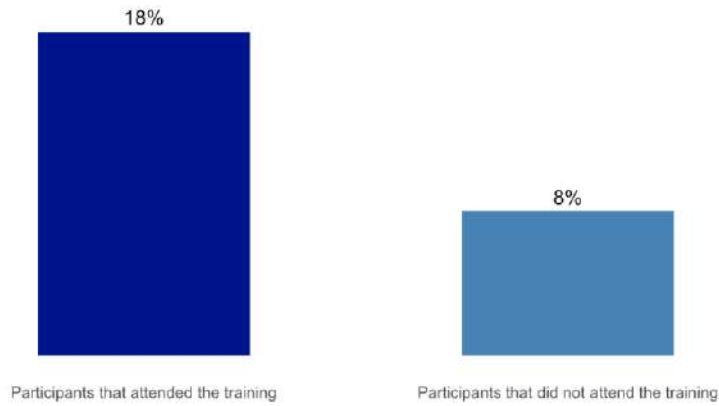


Graph 5: Participants that used UPI in the last week

6. We report a higher use of UPI and mobile wallet use for more women who attended the training.

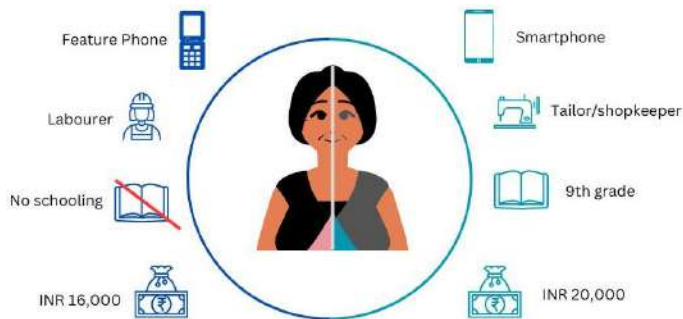
10% more women who attended the training said that they used UPI and mobile wallets as a way of making frequent purchases as compared to those who did not attend.

Percentage of participants that used UPI and mobile wallets most frequently



Graph 6: Participants that reported using UPI and Mobile wallets as their most frequent way of purchasing

Features of a typical UPI non-user versus user

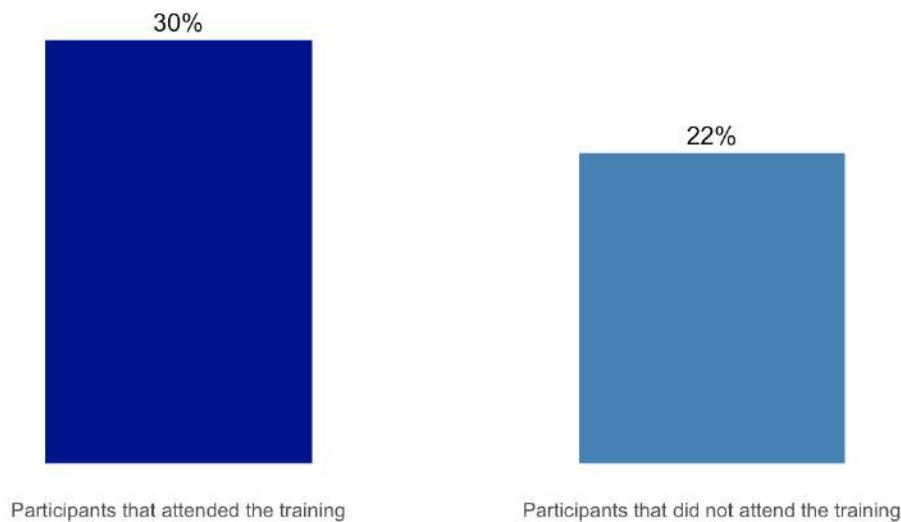


The image above captures a typical UPI user versus a non-UPI user who attended the training. The average education among UPI users was quite high, with almost none being completely illiterate. This brings forth the lack of confidence and inability of uneducated women to interact with and build trust in digital mediums such as UPI. Accessibility to smartphones was also another differentiating factor, with 93% of UPI users also having an internet phone as compared to 51% of non-UPI users. The overall family income was higher among UPI users, with women working as shopkeepers and tailors instead of labourers, as seen among the non-UPI users.

7. Knowledge about Whatsapp Banking improved with an 8% point difference between the participants that attended the training and those who did not.

The increase in awareness about WhatsApp banking proves the success of the detailed demonstration of the process, through videos and interactive sessions conducted during the intervention.

Percentage of participants that had an increased Awareness about Whatsapp Banking



Graph 7: Participants that reported knowledge about Whatsapp Banking

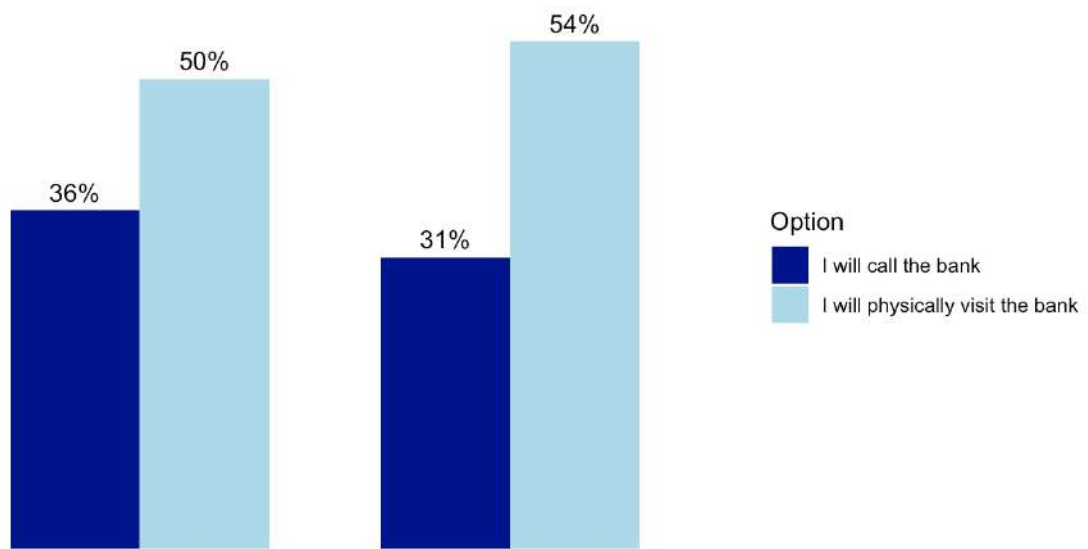
8. Awareness about safe digital practices such as sharing private information during fraud was relatively high and similar between the two groups.

One interesting factor to note, however, is that those who did not attend training said OTP is the most important information to protect, whereas those who attended said ATM Pin cards are most important. Though both could be deemed to be equally important, the training groups answer provides evidence for the ATM demonstration conducted in the training where the sharing of ATM pin card details is unsafe was made salient and laid emphasis on.

9. Post the training, the adoption of digital options of redressal mechanisms increased, with 4% less women choosing to physically go to the bank and 5% more women directly calling the bank.

The most common answer about the redressal mechanism was to physically visit the bank (women who attended training - 50%; women who did not attend - 54%) when a fraud is detected. Post the intervention, the uptake of digital options increased, indicating the success of the intervention with participants building more trust in the methods. Digital options may not be preferred traditionally because of a lack of awareness regarding the facility or a lack of trust in non-physical options. More needs to be done to build this trust and remove biases about digital ways of dealing with fraud.

Bank Interaction Preferences



Participants that attended the training Participants that did not attend the training

Graph 1: Redressal Mechanism- The split in calling the bank and physically visiting the bank in participants

The efforts to monitor and evaluate the effectiveness of efforts to increase awareness and promote financial literacy among women should be continued. This can help identify areas for improvement and inform the development of targeted interventions to further increase awareness and empower women to protect themselves against financial fraud.

It is important to note that most findings are based on self-reported measures observed. Self-reporting can be subject to biases and inaccuracies, which may affect the validity of the findings.

Implications for future training

1. Increased salience, through methods such as highlighting a reminder to encourage frequent cues, can prompt actions like saving in banks or making UPI payments.

Increasing the salience of saving in banks can encourage individuals to prioritize saving by reminding them of its importance and accessibility. This reminder prompts them to revisit financial goals, trust in the security of banks, and explore convenient savings options. Similarly, a sticker reminding one to make UPI payments serves as a cue, priming individuals to engage in this behaviour by making it more visible and routine. Over time, these prompts reinforce desired actions by leveraging behavioural economics principles to make saving and UPI transactions more salient and accessible.

2. Overcoming the initial hurdles is often the most daunting part of any task, but even a small push can lead to significant progress.

Overcoming the initial hurdles is often the most daunting part of embracing new technologies like UPI payments. One of the significant friction points lies in the stark binary choice individuals face: either they use UPI or they don't. There is rarely a middle ground. The biggest obstacle at this stage could be the initial step of downloading the UPI app. This simple action might seem trivial, but it represents a crucial threshold that individuals must cross to begin their journey with UPI payments. For many, the prospect of downloading a new app, navigating through the installation process, and setting it up might feel overwhelming or inconvenient. However, it's important to recognize that even a small push or encouragement, such as clear instructions or hand-holding activities, can lead to significant progress. Once individuals overcome this initial barrier and successfully download the UPI app, they are more likely to explore its features, adapt to its convenience, and ultimately embrace UPI payments as part of their routine transactions. Therefore, addressing the friction point of downloading the app is vital in facilitating the adoption of UPI and unlocking its potential benefits for individuals and the broader economy.

3. Balancing the desire for convenience with the need for confidence is crucial; while services like WhatsApp banking offer ease of access, effective hand-holding can help bolster confidence and ensure smoother transition from non-user to user.

We learned that more participants reported awareness about WhatsApp banking after they learned about the process. Awareness is often the first step towards adoption.

However, regular handholding is necessary to support their learning and adoption of financial literacy practices. This can involve providing ongoing guidance, feedback, and encouragement to help them navigate the complexities of digital financial decision-making. Regular hand holding can also help to build trust and strengthen the relationship between financial service providers and their clients. By providing regular support, financial service providers can help to ensure that low-income populations are able to make informed decisions about the uptake of digital methods for loan instalment transactions and other payments.

4. While financial literacy has largely focused on online gamification, offline contextual gamification can increase motivation to participate and learn through forms women are naturally more comfortable with.

We observed that the women who participated in our method of financial literacy learning through contextual activities like the Kaun Banega Crorepati and matching card games were much more likely to engage with the financial literacy content than those who were exposed to traditional financial education programs. We also noted increased confidence in participants expressing to try using a real-life ATM after having gone through the simulation.

Overall, we suggest that it is important for researchers and practitioners to consider alternative approaches to financial inclusion that are tailored to specific contexts and focus on making the activity more social, fun, and engaging. By integrating financial literacy games into social activities, we were able to engage women in improving their financial literacy skills, which has the potential to have a positive impact on their lives and the lives of their families.

5. Context is key: understanding motivations, barriers and levers to effective learning around financial literacy is important in its success.

Understanding the context in which financial literacy education is being delivered is crucial for its success. It's important to recognize that people have different motivations, barriers, and learning preferences that need to be taken into consideration in order to make the learning experience more effective. In the example of this case, contextual videos which showed relatable characters and stories with similar problems as faced by the women aided their process of building trust to something as unknown and alien as using a phone to make a payment.

Overall, by taking into account the context in which financial literacy education is being delivered, educators can create programs that are more effective and have a greater impact on the lives of those they are trying to help.

6. Leveraging social proof: Fellow women from the community can act as torchbearers of change

Women can narrate the journey of their initial hesitations to using digital platforms, what enabled them to make a change and how this shift positively transformed their banking experience. This will help instil confidence among women who have the intention to change, by being able to relate to their peers.

Conclusion

We assessed the impact of digital awareness, literacy and financial products on the inclination towards active financial inclusion and the use of digital banking. We did this through two sets of training sessions for women microfinance borrowers, an experiment intended to shift savings behaviour using behavioural science and group discussions to facilitate dialogue around online payments.

In conclusion, the study provides valuable insights into the adoption of financial products and services among women borrowers in India. The findings suggest that financial products that are designed to encourage savings behaviour and digital adoption can be an effective way to promote digital savings among women borrowers, as seen in the comparatively 15% higher banking savings and 13% higher loan repayments using UPI when participants received the Phase 1 training.

The study also highlights the rise in UPI payments among the treatment group, who increasingly used more UPI in the last week (12% more 10+ UPI transactions), last month (4% more) and also made more frequent purchases using UPI and mobile wallets (10% more). This shift towards digital payment methods is a positive development for digital financial inclusion. It is important to note that even individuals who may not use their phones extensively are willing to adopt digital payment methods if they are made accessible and user-friendly.

Additionally, the study found an 8% increase in awareness regarding WhatsApp banking users, indicating a positive change in digital banking post the intervention.

Finally, the study also emphasises the importance of increasing awareness about the right redressal mechanisms in case of fraud and sharing of private banking information with others, which was relatively high and similar among all groups.

Overall, the findings highlight the need for targeted and contextual digital financial inclusion efforts that address the specific needs and preferences of women borrowers in India. Policymakers and financial service providers must continue to design financial products and services that are accessible, user-friendly, and tailored to the unique challenges faced by women in accessing financial services.