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# **Research Methods to Assess Financial Services Quality In Low-Income Markets and Some Financial Inclusion Research Hypothesis**

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This report is an extract of a feasibility study done by Sygoes to the IDB/MIF to evaluate financial Services Quality from the point of view of final consumers in LATAM.

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## Background

There are few in-depth studies on consumers of financial services due to their relative complexity and cost. According to the inventory of public information presented by the CGAP at the Forum on Microenterprise- FOROMIC 2012, the sources of information on consumers of financial services are significantly more concentrated on the supply side compared to the demand, where there is a higher potential to discover different avenues for development.

Agents such as the World Bank, the MIX, and the WOCCU, aggregate information using secondary data from financial regulators, partners, and their members to get a larger picture concerning the supply of financial services. Data on demand is mainly provided by the Global Database of Financial Inclusion of the World Bank (FINDEX), the Study of Living Standards (WB LSMS), the Measurement of Living Conditions in Latin America and the Caribbean (MECOVI), and the Migration and Remittances database of the World Bank. However, at the aggregated level there are no studies to measure the consumer's dynamics and perceived quality of financial services.

At the national level, particular systematic surveys that measure household finances do exist. Conducted by organizations such as the Central Banks, these studies are limited by focusing solely on urban families with access to formal financial services.

In the private sector, large financial institutions conduct market research on consumer satisfaction, but the results are not shared publicly since these studies are carried out for competitive gain. Smaller financial institutions often use information provided by their staff in the field or simply by observation.

Consumer research aims to find the consumer's perspective within their goals. For the consumer, financial services are only a way to accomplish their goals and not an end in itself.

Meanwhile, the financial industry is in need of metrics and benchmarks on how financial inclusion initiatives are achieving results in different countries. Donors are acting less and less as simply providers of funds for capital or and operational objectives. Instead, they are turning their efforts towards facilitating the development of infrastructure for financial inclusion, as well as the improvement of market information and data, in hopes of finding a deeper understanding of the consumer.

## Executive Summary

The possibility of acknowledging the quality of financial service and to have benchmarks is highly appreciated, especially in Pro-consumer organizations. However, the effective interest in using the results changes depending on how much, the organizations, can apply what the results reveal.

**Financial regulators** and **international organizations** are likely to benefit the most from the results because it gathers information at an aggregated national level. However, regulators' top priorities may not be the gauge in consumer satisfaction issues. They may have further interest if there was a greater focus on issues such as understanding how the credit market conducts itself, and how to gain a deeper understanding of consumers who don't use banking services. **Local networks** would benefit by getting data they can use in their negotiations with regulators. **Practitioners** may be more interested in data that reveal new business opportunities.

There are a variety of methods for analysis, and each must be considered depending on the focus, time, and budget. Polls are short and have minimum analysis; surveys are longer and the responses are analyzed in greater detail. The major statistical analysis would call for a specialized team beyond a research firm but think tanks or universities.

## I. Context of Financial Services for Low-income Segments

There are a broad set of themes worthy of multiple studies. This part will review the issues on the provision of financial services for the poor to help raise the hypothesis that will shed more light on what happens when consumers use financial services.

**We mention some important -although not exhaustive- issues to probe. These are provided to contextualize the research.**

### 1. Consumer Protection

In some countries, regulators are trying to intervene in consumer protection issues, as is the case in Peru and Bolivia. In counterpart, bank associations and some MFIs networks are organizing themselves to have codes of conduct among its members, and are advocating for self-regulation.

*We propose eight subjects for hypothesis preparation. (1) Consumer protection, (2) Indebtedness, (3) Financial Education, (4) Consumer Understanding, (5) cost reduction, (6) reaching out the BOP, (7) Product development using new technologies, and (8) Other business models beyond microfinance.*

There have been initiatives to protect the consumer, like the Smart Campaign which advocates for self-regulation, the Responsible Finance Forum, hosted by the IFC, which provides a learning platform for building knowledge about responsible practices, and the sharing knowledge platform regarding consumer protection provided by AFI.

On the other hand, funders demand evidence of how their investments are helping to reduce poverty. During due diligence processes, social investors have started to evaluate how pro-consumer is the financial institution.

For financial service providers, consumer protection is not a particular concern. Managers perceive that they are not the ones creating bad conduct with their costumers, but rather it is the competition, and hold steadfast to the formal procedures that rule their work on the field.

#### ***Important issues to probe:***

- *What are critical issues to regulating? And what matters should be left for self-regulation?*
- *What matters require an ombudsman, for example: what type of complaints are the most common, or are most affecting to the consumers?*
- *For investors: benchmarks to compare their own assessment of MFIs.*

### 2. Indebtedness

According to Microfinance Banana Skin 2012 from CSFI, the risk of over-indebtedness is the most important topic among agents in Latin America. However, while over-indebtedness is a concern, it is not the most important topic when acting over it. The regulators use their own mechanisms to monitor indebtedness, but they can only supervise regulated institutions. Financial institutions mentioned that indebtedness is controlled by their risk policies and some of them stood out the role of credit bureaus.

In general, there is a clear interest in knowing what the household debt level is. Some countries have begun to monitor debt, as is the case in Chile and Colombia, by conducting the "Financial Survey of Households". Nevertheless, these studies are carried out among urban families who have access to banks. Another example of an initiative tracking over-indebtedness is in Ecuador, where the government introduced a comprehensive set of questions related to debt (formal or informal) in the "National Survey of Income and Expenditure of Urban and Rural Households"

***Important issues to probe:***

- *Indebtedness research focused on (a) level of indebtedness, (b) factors contributing to indebtedness or, (c) forecast of indebtedness; all of them should take into account formal and informal debt as these are interrelated.*
- *Credit market dynamic to monitor the indebtedness: E.g. Percentage of clients who prepay their outstanding balance to obtain new credit, how many people make "Carousel" – get a credit to pay other creditors. Level of aggressiveness when offering credit*
- *Causes of the market growth. E.g. longer terms of payment scheme, increased loan amounts, or to new customers.*
- *Are the users of consumer lending the same as the microcredit clients?, How much is the overlap? in what market segments?.*

### **3. Financial Education**

A common premise among agents in the industry is that low-income population does not know how to choose their financial options, due to the lack of knowledge on financial topics, or because they have financial behavior that needs to be modified. On the other side, according to qualitative studies with consumers, the financial consumers underestimate the need for financial education and overestimate their ability to handle

unexpected events, increasing the challenge of spreading financial education.

While financial behavior seems to be positively affected by financial literacy, the effectiveness of different ways to deliver of financial education on financial behavior is less certain. Nonetheless, government agencies are increasingly likely to promote financial education as a strategy to advance financial inclusion. However, there no a scalable model to effectively disseminate yet.

As of today, the debate considers the distinction between financial literacy, financial education, and financial capability. The difference between these concepts is the combination of knowledge, attitudes, and behaviors toward financial matters.

However, the attitudes cannot be changed - or are extremely difficult to do - since it is set up within a coherent system of people's behaviors. To change one of them may require making major adjustments to the others; therefore consumer self-regulation using financial education should not always be expected.

***Important issues to probe:***

*What is the incidence of certain financial behaviors? Which of them can be modified and which cannot be modified?. Rather than enforce modification of consumer behavior via financial education, should the agents consider to improve the regulation or adapt the financial services offer?*

#### **4. Interest in consumer understanding**

There are initiatives to improve consumer understanding, such as the research commissioned by the Bill & Melinda Gates Foundation to Innovations for Poverty Action (IPA) to test the effectiveness of financial products, the investigations promoted by CGAP to develop products for demonstration

*Agents in the industry are paying special attention to behavioral economics to understand the consumer; important theories are already put in place, however concrete and practical applications in policy have not been seen yet in LAC. Nevertheless, consumer behavior theories are extensively used in marketing disciplines and value offer development.*

purposes and the different financial diaries studies. All of them have been conducted with and for specific financial institutions.

This report does not want to attempt a comprehensive approach to the topic. However, the results of any study focused on the consumer- such as a consumer satisfaction research - will definitively help to understand the financial consumers.

## 5. High costs of the financial services

**Different satisfaction studies show the greatest cause of dissatisfaction with credit and formal savings offers are the costs.** This happens not only because the business model is based on one-on-one service, as in the case of credit, or incorrect product differentiation, as in the case of savings; but it is due to the MFIs' growth objectives and, in some cases, the add-on services. In the other hand, different studies show the low-income population uses higher discount rate when they take a loan because the present is more important than future for them.

Additionally, client desertion in microcredit is persistently high which lead the MFIs be constantly looking for new clients affecting their overall cost which is transferred to the final client.

As long as these causes persist, there is a high probability that this inference (high dissatisfaction with price) will appear again in the results. Besides to measure the satisfaction with price, by acknowledging the consequences of the high price will help to design better strategies for an effective financial inclusion.

Desertion in the microcredit is common and high. Some desertion ratios provide lower rates than actually it is not. This happen when desertion rates calculate current clients over former clients in certain periods of time; however, current clients cannot drop out because they are paying their loans, so they are "captive customers" for that period of time.

### ***Important issues to probe:***

- *How the dynamic of customers leaving and entering the system operates?*
- *How much (dis)satisfaction is due to the interest rate?*
- *Perception of the consumer's opportunity cost using credit compared with the interest rate they are paying.*
- *Benchmarks of prices among countries.*

## 6. Greater reach out/channels

Banking correspondent agents, simplified accounts, and developments in electronic payments are expanding and adding convenience. These also will create new ways in which money can be managed. New channels are starting up in urban areas and are still rarely available in rural areas, in particular, because they cannot achieve critical mass. From the perspective of the providers, the contribution of the agents to the overall satisfaction of the consumer is assumed as highly positive, but this needs to be confronted with the point of



view of the consumers. Consumers can give value to new channels, but not to the degree that providers suppose since more convenient services can have additional costs to the customers or because certain segments have sunk costs when using traditional branches.

***Important issues to probe:***

- *How much value has the alternative channels and if agents are increasing the overall satisfaction of customers?*
- *The adoption state of new channels per country.*
- *How much is the current cost that consumers undertake when going to a traditional branch?*

## **7. New products development and use of technology**

Agents dedicated to financial inclusion are gaining expectations based on developments in technology, such as mobile banking, and other promising initiatives like using data mining and alternative risk models. There are also further short term advances in other areas, such as the regulation of property registration (to support the collateral schemes development), the regulation of electronic wallets, and the promotion of retirement funds (long term savings schemes) for independent workers.

***Important issues to probe:***

- *The emerging issues mentioned above and others, especially the short term advances can be sized per country in a research to provide data for regulatory, new business, or development opportunities.*

## **8. Others business models beyond microfinance`**

Agents in the industry are concerned about the advance of consumer lending as well as the high-profit objectives of the financial institutions serving low-income populations, which make a call for a re-evaluation of ideas on how governments, public policies, banks and microfinance institutions may reach the poor in developing countries and sustain an effective financial inclusion. Other models to deliver credit via mobile are ready to take off but without considering associated risks in consumer protection. Initiatives such as the Social Performance Task Force aims to push double bottom performance in financial institutions. Researchers are reviewing the success and failures of models such as cooperatives, the German savings banks (the Sparkassen model) and other state-owned bank models (e.g., Crediamigo and the Caixa in Brasil) to provide other alternative models for sustainable financial inclusion.

***Important questions to probe:***

- *What is the real influx of different financial service providers (formal or informal) in the financial life of the consumers or household budgets?*
- *How the consumers combine credit and saving?*
- *How is the credit market structured? How large is the percentage of consumers who have never used credit but could use it, those who used credit once but no longer, those who use the credit on and off, and those who are consistently in debt? And what are their characteristics?*
- *Is the informality an issue for not considering formal financial services, even if access is plentiful?*

### Main Subjects in Financial Services for the BOP and more suitable Research Focus

Subjects	Market research focus				Main questions
	Consumer dynamic	Consumer Detriment	Consumer Satisfaction	Consumer Behavior	
1 Consumer Protection		X	X		The magnitude of complaints and consequences in consumers' economy, debt stress.
2 Indebtedness	X	X		X	Causes, level and indebtedness forecast. Sources of credit market growth, "carousels" with loans, aggressiveness in credit sales, etc.
3 Financial Education				X	Levels of financial literacy and incidence of specific financial behaviors
4 Consumer Understanding			X	X	Factors affecting consumer satisfaction with financial services
5 Costs of the Financial Services			X		Consequences on financial inclusion due to price dissatisfaction. Customers' opportunity cost of using credit. Prices average per country.
6 Reach out			X	X	The contribution of new channels to overall satisfaction, Consumer's marginal utility of using alternative channels, the ratio of new channels adoption.
7 New products development/ use of technology				X	Potential development (e.g., new guarantees, long-term savings schemes for independent workers)
8 Another biz model beyond microfinance	X				Credit market structure (those who are in debt all the time, those who never use debt, etc.)

## II. Users of the Study

According to the interviews carried out for this report, a study on quality of financial services would be greatly appreciated. Pro-consumer organizations are the more avid of this research; there is a perception that surveys conducted by financial institutions are not made public if the results are not favorable. To have proper data to set benchmarks would also be of great value. Others, however, consider a satisfaction and quality study to be relative, as it would aggregate too many issues and would not refer to comparable markets. Effective interest in using a quality services study changes depending on the level of disaggregation in the Study

Because the research would be aggregated at the national level, the most likely users would be regulators and international organizations, with practitioners having a lower interest in the Study. However, the true interest of regulators is in understanding how the credit market conducts itself and in learning the characteristics of non-banked consumers in order to achieve greater financial inclusion. The interest of local networks is focused on getting data to support their negotiations with regulators. Practitioners are more interested in data that shows new business opportunities.

Below is the relevance of this study from the perspective of each agent.

Agent	Appreciation and likeliness to use
Regulators	High
Think-tanks/initiatives pro-consumer	High
Investors	Medium
Local Networks	Medium
MFIs	Low

### III. Methodologies to Analyze Customer Satisfaction

The methods for analysis are diverse and depend on the objective and budget. In the other hand, conducting surveys at the aggregate level is likely to produce similar results on consumer behaviors because causes of poverty and behaviors are universal, which means there is no need to sample all the countries but only some.

*There are differences between polls and surveys. Polls are for a quick pulse of the market, have few questions and do not imply greater analysis. Surveys, on the other hand, imply more questions and aim to study relationships between the questions. Greater analysis can be done using inferential statistics, but that need a significant sample size; generally inferential analysis is not performed by market research firms but by academic or research organizations*

#### Methodologies to analyze customer satisfaction and related studies

The satisfaction of customers can be measured by individual events, like by reviewing the logs of complaints addressed to financial institutions. Companies conduct customer satisfaction surveys by asking the customers directly or indirectly by using mystery shoppers. Aggregated consumer satisfaction studies (for one entire industry) are used mainly in the service sector (e.g., transport, banks, insurance, and telecommunications) and for the most part, these types of studies are carried out in developed economies where these industries have matured.

An issue that deserves greater discernment is the difference between ***measuring the quality of service (the process) and service satisfaction (the result)***. The quality of service gets a more rational response whereas satisfaction is a mixture of rational and emotional responses.

The following table describes the types of studies relevant to the themes of this report.

### Relevant types of studies related to objectives of the project

	Type of Research	Description	Focus	Statistical Method
1	Satisfaction studies	Most common type of study	Satisfaction	Gap Analysis/ causal /predictive
2	SERVQUAL	Focused on measuring the quality of service	Quality of Service	Gap Analysis
3	Consumer Sentiment poll	Measures feeling toward the economic future (similar to a confidence index) New approaches measure internet trends and buzz	Opinion and some satisfaction	Algorithm
4	Opinion polls	Measures public opinion	Opinion and some satisfaction	Descriptive
5	Detriment surveys	Quantifies the psychological or material harm to consumers	Consumer Protection	Descriptive
6	Debt stress poll	Provides an index that measures the level of stress caused by debt	Indebtedness	Algorithm
7	Financial education surveys	Measured level of financial literature and some of them measure financial behavior	Financial Education	Descriptive
8	Household Finance Surveys	Measures financial burden and assets per household	Indebtedness	Descriptive

Elaboration: J. Urquiza

## 1. Models for Customer Satisfaction Analysis

### Model of gap analysis: Satisfaction versus Importance

Compare satisfaction with importance. Factors qualified as important but receive a low satisfaction rate have to be watched and solved first. See Annex A for an example.

#### Pros

- Easy to explain and carry out.

#### Cons

- The qualification of "importance" can introduce bias in the responses as, for example, the interviewee can confuse "importance" with "essential" or "preference," and so, it is not known whether it is "important" by the presence or absence of the factor under consideration. In addition, there may be cases in which there are important attributes but the customer assumes that these are implicit or are part of the product, and therefore decreases the level of importance.

## 1.2. Causal model (linear regression)

This model uses linear regression to show the contributions of possible causes (explanatory variables) to the customers' satisfaction levels (dependent variable). Factors range from 0 to 1, the closer to 1 the higher the contribution to their satisfaction. The analysis can be done by dimensions (groups of variables). [Annex B](#) shows an example of the results.

### Pros

- Contributions are inferred statistically and not given by the customers avoiding subjectivity in the responses.
- Explains and gives magnitude to the causes of the problem.
- Policy makers can see in what order the factors must be solved and perform the sensitive analysis.

### Cons

- Requires a certain degree of specialized analysis that is not always available in market research firms.
- Not all the causes are related linearly, so the contributions do not always perfectly explain the levels of satisfaction, but rather are given an order.

## 1.3 Predictive model

This is a mathematical model with a single or multiple non-linear regressions (mostly logarithmic regressions) that analyzes the causes of dissatisfaction and satisfaction and predicts the consequences of a pattern of relationships. For example, this model could predict the number of complaints expected, the expected desertion, and the tolerance to price or degree of financial capability.

### **The American Customer Satisfaction Index**

The ACSI is a satisfaction index aggregated at the national level. It uses an econometric model developed by the University of Michigan, which is based on the scientific progress on consumer behavior and other variables to explain satisfaction for items such as consumer expectations, perceived quality, image and perceived value, and then predicts the consequences. Annex C shows the framework and examples of results.

### Pros

- Model with predictive capabilities.
- Could predict indebtedness, credit market saturation or interest rate tolerance.
- Uses the emotional dimensions to explain the satisfaction (e.g. consumer expectations).

### Cons

- Requires important analytical capability only available in academic or research centers.
- For users, the mathematical model is a “black box” which is hard to explain publicly. The public has to trust the result without major explanation.
- Requires a large amount of data and input by the respondents who sometimes are not prepared (time and difficulty).
- Requires time and funds to develop an ad-hoc and appropriate model.
- It can lead to an overly complex solution to solve simple needs.

## 2. Model of measurement of quality of service – SERVQUAL

This model uses gap analysis to review the differences between consumer expectations and performance. It is broadly used in public service companies to improve their quality of service.

This model assesses the experience of the consumer, but not the final result on their satisfaction. That is, the model is focused on measuring the quality of the experience, but not to the degree to which the quality of service affects the final satisfaction. The model uses 5 dimensions of measurement: tangibility, reliability, responsiveness, assurance, and empathy, but these can be modified according to each case.

Microsave Africa has adapted this model using its Participatory Rapid Appraisal (PRA), a qualitative technique, and suggests the use of it in the assessment of MFIs for financial consumer protection certification of the Smart Campaign. [Annex D](#) shows the framework of this methodology.

### Pros:

- Specific to measuring performance.
- Reveals gaps in the process of delivering financial services to take concrete actions.
- Includes performance analysis of the service provider's staff, showing weaknesses in this side as well

### Cons:

- Not useful for aggregated analysis since there are specific processes in a given organization.
- There is little evidence that the consumer evaluates the quality of service in terms of the gap "performance versus expectations".
- Uses the theory of disconfirmation (confirmation of failure to match the consumer's expectations), but does not take into account statistics, economic and psychological theories.
- There is the need to ask the same question two times (one for expectations, and one for performance), causing confusion among respondents.
- In the survey, the word "expectation" has different connotations. The respondent can answer as if the word "expectation" refers to (a) importance, (b) a prediction of the expected performance, (c) the optimal performance, (d) the desired performance, (e) the performance deserved (should be), (f) the performance related to their price, or (g) the minimum tolerable performance.

### **3. Consumer sentiment polls or studies**

These studies capture the feelings of the consumer, a little beyond their opinions. It is used as an approximation to predict behaviors. There are two lines of approach: (1) Asking directly to the consumer as it does in the "Consumer Sentiment Index" of the University of Michigan, which is an algorithm of addition and subtraction of positives and negatives consumer outlook on their future economic situation, and (2) The analysis of "buzzwords" online and in social media. The latter type of research is growing substantially with the development of specialized qualitative and quantitative software, which analyzes usage in online social networks.

#### **Pros:**

- Simple to apply. Can be done as fast as a poll.
- Serves as a predictor for their logical consequences.
- Focuses on the consumers' feelings, which helps to better understand the population's behavior.

#### **Cons**

- There is no proven model beyond the use in the Consumer Sentiment Index, which works as a parallel of the Confidence Index.
- Should be monitored frequently (e.g., monthly) because the feelings can change with respect to specific events.



#### 4. Opinion polls

This is a monitoring tool for public opinion. These surveys use direct questions to specific events with the possibility to respond with levels of intensity (e.g., Highly agree, agree, and disagree).

This model is oriented to manage public policies and public relations, to neutralize demagoguery or to mobilize public opinion (e.g., it could be used to track the “Non-Payment” Movement in Nicaragua in 2009). This model consists of a few, quick questions, so the results are given almost immediately. However, the resulting information lacks depth, since the questions do not convey any particular meaning beyond what is provided in the answers. [Annex E](#) shows an example of questions of the Latino Barometer.

#### 5. Consumer Debt Stress Index

This study produces an index that monitors the psychological stress that debt is causing within a population. The methodology developed by research psychologists at the Ohio State University tests the level of stress caused by debt with questions relating to:

- a) The frequency of worry,
- b) Magnitude of stress,
- c) How problems are expected to extend over the next five years, and
- d) Concern for not being able to settle the debt.

##### **Pros**

- Suitable for measuring the impact on well-being caused by indebtedness.
- Provide insights for policy makers.

##### **Cons**

- Targets a specific problem only.
- To get a curve, repeated and frequent monitoring are needed
- Although not complex, applying this methodology could need special development, especially if the questions, above described, change because these questions should not be correlated.

See an example of results in [Annex F](#).

#### 6. Consumer detriment studies

These surveys monitor consumer complaints at the aggregate level, specifically measuring the types of problems the consumer suffers in their relationship with service providers, and the consequences (economic and psychological) imparted on consumers. The status of the problems the consumer faced is also reviewed, showing what schemes have arisen to solve these problems, and to what degree of efficiency. One main outcome in the results is the aggregated cost that the consumer has lost over a period of time in the wake of the failure of the services (e.g., *In 2012 the people lost 4 million euros because of failures in the transport system*). See examples of results in [Annex G](#).

#### Pros

- Direct answers which are simple to use and understand.
- Suitable for supporting consumer protection policies.

#### Cons

- Useful for one specific purpose only.
- The losses in money can be real or perceived because the data can be under or overstated.

### 7. [Financial Education Studies](#)

These surveys assess what percentage of the population is financially literate, and to what degree. Some studies are complemented by questions regarding behavior and attitudes toward finance management.

#### Pros

- It is simple only if it measures degrees of financial literacy.
- The combination of questions concerning attitudes and behavior could help to predict future behaviors.

#### Cons

- Due to the fact that the levels of financial literacy are low in almost every target country, this study does not do much more than confirm what it is already known.
- Implemented alone, it cannot bring about greater insight than what the responses provided.

## 8. Household Finance Surveys

These instruments of public policy are conducted in each country, typically by a central bank. These studies aim to monitor the financial debt and assets of individual families in that particular country. These surveys may sometimes include financial education and other analysis, such as the calculation of discount rates in money management.

### **Pros**

- Give information on borrowing and degrees of wealth, useful for planning, product development and previewing collateral schemes.
- Provide direct answers to specific questions.

### **Cons**

- Focused on the population engaged in banking, and traditional financial products.
- Difficult to get answers in economies where a large percentage of the population gains informal or irregular income.
- Considers only tangible formal assets but does not consider an intangible asset that is the key in economies of low-income populations.
- Does not consider the stream of future profits and losses, which is the base in the assessment of credit worthiness of low-income populations.

## IV. Recommendation in Implementing the Research

- **Satisfaction is within the consumer's frame of mind.** The answers will have rational and emotional components. Beyond merely performance measurement, when evaluating the emotional components, the approach of the research has to consider the following issues that affect the final rate:
  - 1) The expectation of the consumers,
  - 2) The attribution factor (e.g., delinquent customers can respond they are unsatisfied with the offer) and,
  - 3) Some qualities of the offer are indifferent in costumer's satisfaction because these are inherent to the offer (as is in the case of many qualities of the savings offer). In these scenarios, the consumer tends to rate highly when they do not know what to answer.
- **Risks carrying out studies in fragmented markets.** Financial markets for low-income populations operate in geographic niches, with distinct competitive environments all within the same country, making it difficult to extrapolate survey results at the national level. Special care has to be taken when sampling. The sample has to be designed by experts in the retail of financial services.
- **Getting buy-in** depends on how well it can deliver concrete and actionable answers. Consider local content as well as standard questions for international comparison. Desegregation would add more readers. Also, dissemination strategy for the results has to be planned in advance.
- **Research at the aggregate level is likely to provide similar results among countries.** It is recommended to consider apply surveys in some countries and only polls with few questions in the remaining countries for monitoring purposes.
- **Parameters of satisfaction move over time** depending on the evolution of the market. Customers in competitive markets can be more demanding than others few providers. A comparison of satisfaction among countries will provide little significance unless comparisons are concerning of the causes of satisfaction within the same country. (e.g., rural versus urban).

**Further important studies:**

To broaden the view of the forces affecting the financial services market we recommend more research on the dynamic of the microcredit market, a deeper financial behavior research, and the MFIs' loan officer's conduct as they are, ultimately a link between the supply and the demand.

***Some issues to research on the Behavior toward financial matters*** could be tested in separated study:

- ❖ The evolution of people's vision towards the short-term
- ❖ The greater fear of losing rather than gaining value (useful in the strategy of savings, for example)
- ❖ The greatest discount future (the discount rate that applies the poor)
- ❖ The sensation of paralysis that consumers suffer when they are given too many options to choose
- ❖ The passive behavior of sticking with the default option.
- ❖ The level of stress that leads consumers to make unfavorable financial decisions, and
- ❖ The amount of willpower of the consumer per region in LAC.

For example, hypothetically, people in the Caribbean region could use a greater discount rate or could have short-term vision in some financial decisions due to exposure to unexpected events (tornados)

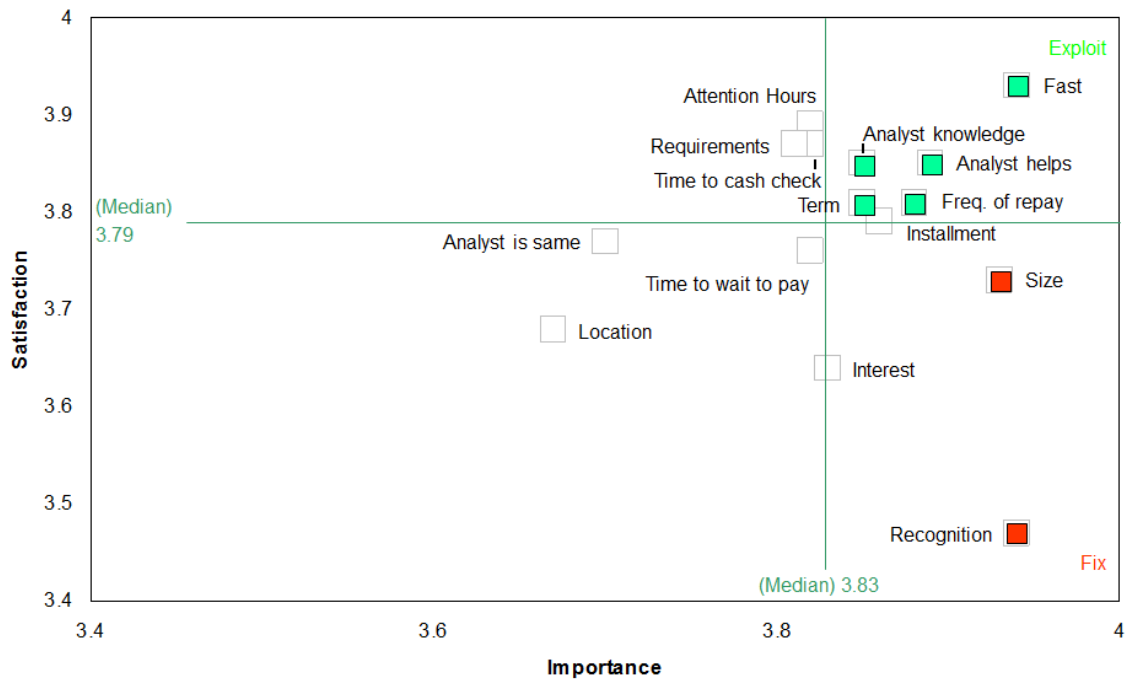
### ***The loan officers' conducts.***

In MFIs operations, besides what manuals of processes and risks indicate, the loan officers are empowered enough to give, restrict or cancel credits. On the other hand, the effectiveness of top-down policies in consumer protection and over-indebtedness are being debated, so an exploration of this part of the interface in the market could give shed light avenues of solutions.

## Annexes

### Annex A

Example of a consumer satisfaction study comparing **Satisfaction versus Importance** presented by WWB at FOROMIC 2003 - The Case of MFIs in Colombia

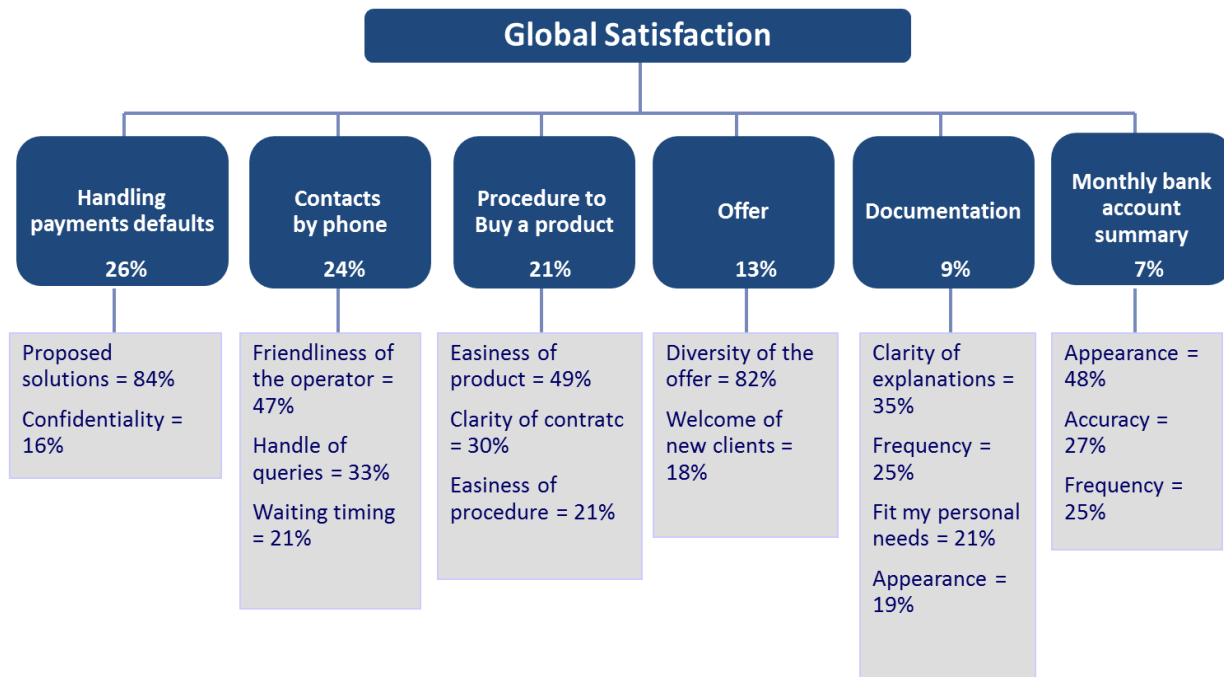


Source: WWB

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## Annex B

Model of cause-effect linear regression with

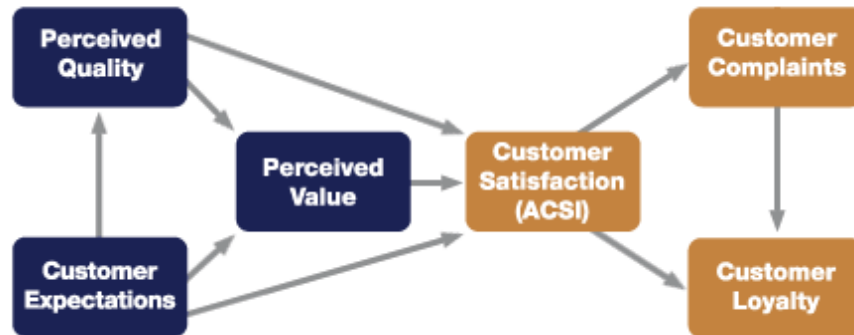


Courtesy of IPSOS International

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## Annex C

### Model of satisfaction of American Satisfaction Index



### Example of satisfaction (ACSI) with banks and the financial sector US (2012)

	Base-line	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	Previous Year % Change	First Year % Change
FINANCE & INSURANCE	78.5	74.1	74.5	74.6	74.4	73.9	74.4	73.3	73.8	74.7	73.4	73.9	76.0	75.5	76.0	77.1	76.1	76.2	75.4	-1.0	-3.9
Banks	74	74	72	71	70	68	70	72	74	75	75	75	77	78	75	75	76	75	77	2.7	4.1

Source: Web site of ASCI

### Example of EPSI index - European Performance Satisfaction Index

Pan European Banking Sector SATISFACTION Final Consumers									
Country	2004	2005	2006	2007	2008	2009	2010	2011	2012
Czech Republic		69.4	71.6	71.6	69.8	67.8	69.7	71.1	71.3
Estonia	72.4	72.7	73.5	75.4	75.6	75.4	74.2	73.1	72.3
Latvia	72.9	73.7	75.3	78.8	78.1	75.2	76.8	75.3	76.7
Lithuania	84.4	78.2	80.5	81.3	82.1	78.2	78.3	77.6	78.4
Denmark	74.0	73.2	74.2	76.2	73.9	68.5	70.0	71.9	67.5
Finland	75.7	75.9	74.8	78.2	76.7	77.3	78.2	77.2	76.5
Norway	69.5	71.9	70.2	68.8	69.8	69.4	69.9	72.1	71.5
Russia	61.0	63.8		70.0	75.3	70.6	73.3	72.5	75.0
Spain								61.9	54.3
Sweden	67.8	70.3	71.8	71.3	71.8	72.4	73.0	73.0	69.7
United Kingdom						72.3	69.4	72.4	73.8
Kazakhstan						72.0	76.2	76.1	77.6
Azerbaijan						83.0	82.4	85.4	82.9
Georgia						82.4	83.5	86.0	83.0
EPSI Europe	71.1	71.7	72.2	71.9	73.5	71.9	73.1	73.8	72.9

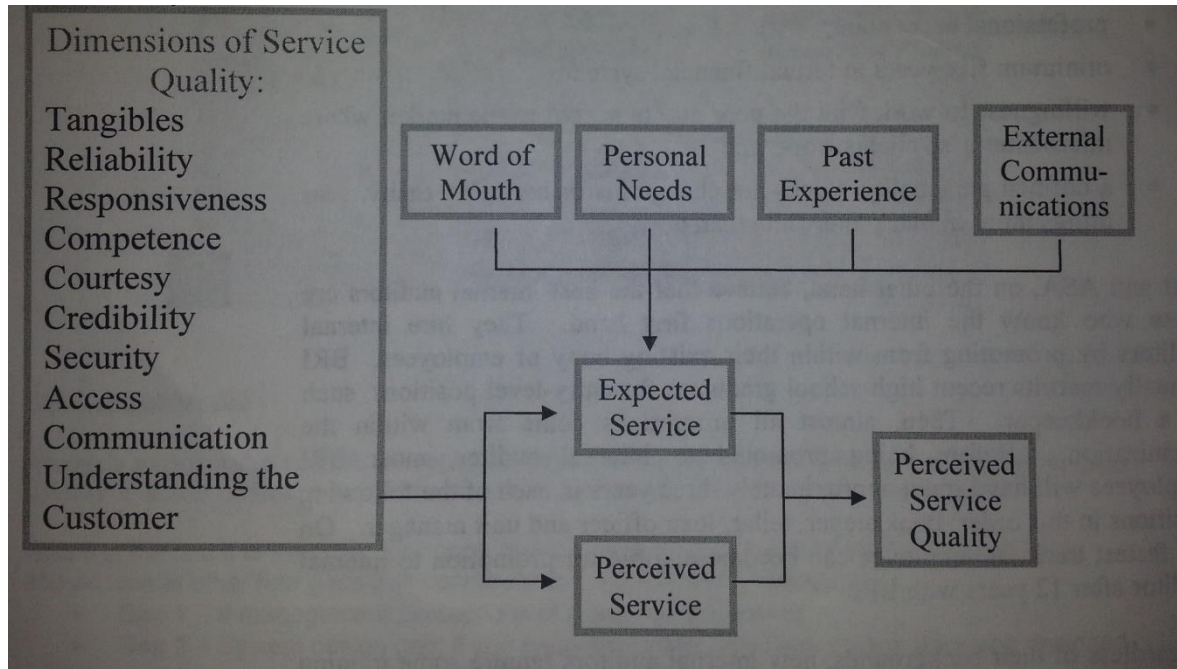
Source: Web Site of EPSI: Extended Performance Satisfaction Index

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## ANNEX D

### Framework of analysis of SERVQUAL Case: Quality Dimensions for the British Airway



Source: Lessons of Customer Satisfaction, Prof. Gabriel Bitran

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## Annex E

### Example of questions in an opinion survey

#### ANNEX E

**P2ST.** En su opinión, ¿Cuál considera Ud. que es el problema más importante en el país? (ANOTE TEXTUAL LO QUE DIGAN; SÓLO UNA RESPUESTA)

--	--

Ninguno..97 No sabe..98 No responde..00 **NO LEER**

**P3ST.A** ¿Cómo calificaría en general la situación económica actual del país? Diría Ud. que es... (LEA ALTERNATIVAS Y MARQUE UNA SOLA EN P3ST.A) **P3ST.B** ¿Y cómo calificaría la situación política del país? Diría Ud. que es... (LEA ALTERNATIVAS Y MARQUE UNA SOLA EN P3ST.B)

	P3ST.A	P3ST.B
Muy buena.....	1	1
Buena.....	2	2
Regular.....	3	3
Mala.....	4	4
Muy mala.....	5	5
No sabe.....	8	8 <b>NO LEER</b>
No responde.....	0	0

**P10ST.** ¿Con cuál de las siguientes frases está Ud. más de acuerdo? (LEA ALTERNATIVAS Y MARQUE UNA SOLA)

La democracia es preferible a cualquier otra forma de gobierno .....	1
En algunas circunstancias, un gobierno autoritario puede ser preferible a uno democrático. ....	2
A la gente como uno, nos da lo mismo un régimen democrático que uno no democrático ..	3
No sabe .....	8 <b>NO LEER</b>
No responde .....	0

**P11ST.A** En general, diría Ud. que está muy satisfecho, más bien satisfecho, no muy satisfecho o nada satisfecho con el funcionamiento de la democracia en (país)? (MARQUE UNA SOLA EN P11ST.A) **P11ST.B** ¿Y con el funcionamiento de la economía? (MARQUE UNA SOLA EN P11ST.B)

	P11ST.A DEMOCRACIA	P11ST.B ECONOMÍA
Muy satisfecho .....	1	1
Más bien satisfecho .....	2	2
No muy satisfecho .....	3	3
Nada satisfecho .....	4	4
No sabe .....	8	8 <b>NO LEER</b>
No responde .....	0	0

Source: Web site of Latinobarómetro

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*Annex F*

**Example of Debt Stress Index**

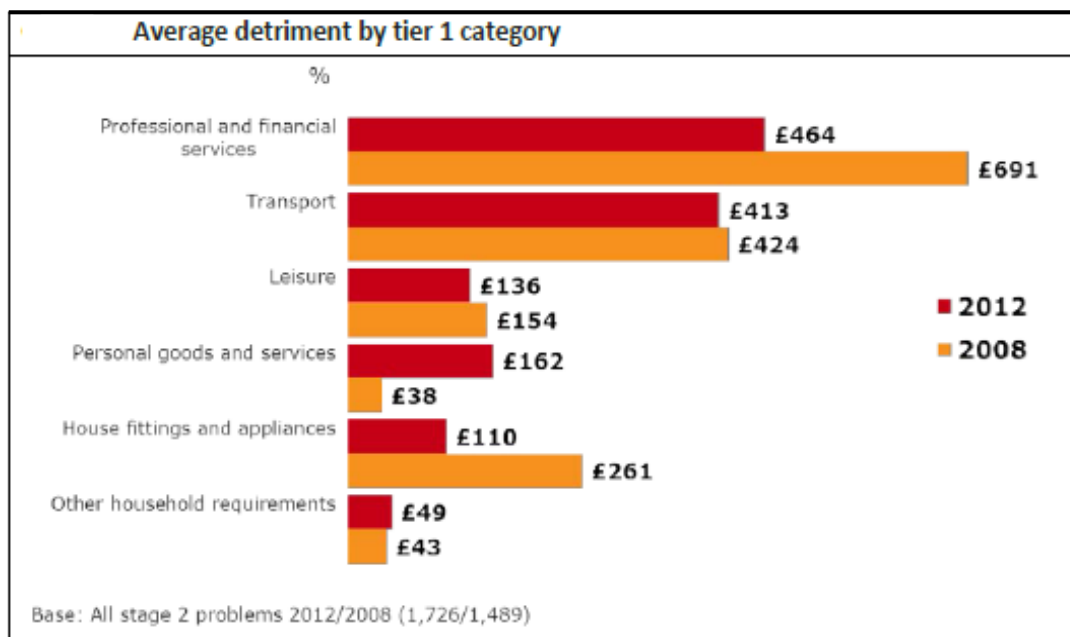
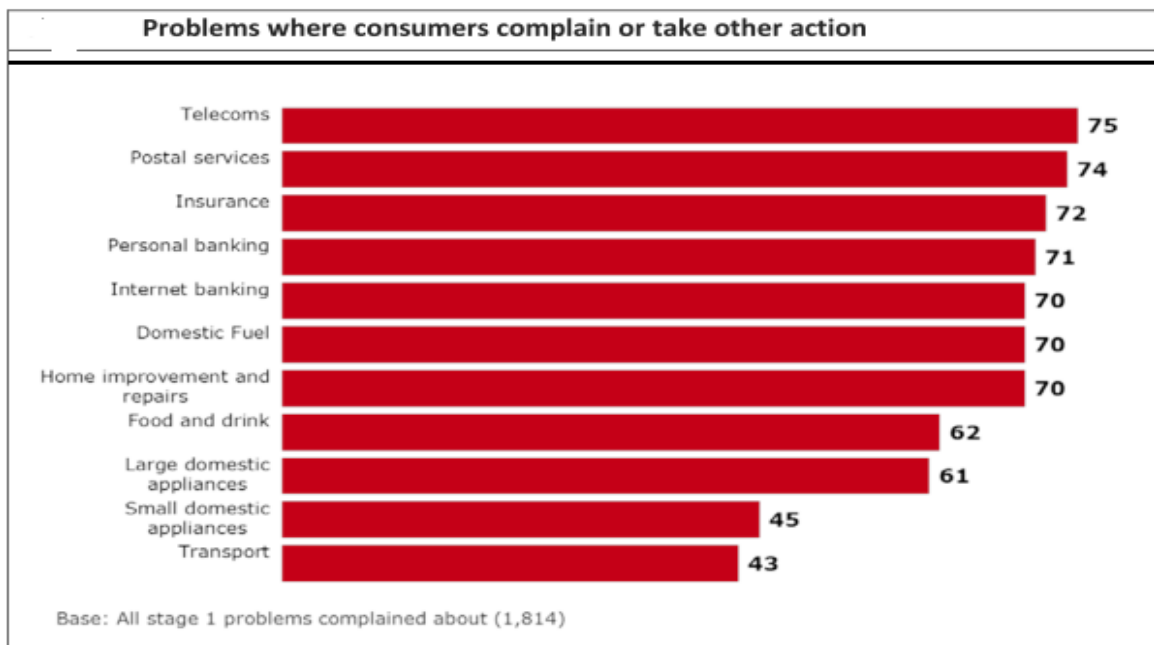


Consumer Debt Stress Index Report; Lucia F. Dunn & Ida Mirzaie

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## Annex G

### Examples of results of studies of consumer detriment



Source: Consumer Detriment 2012 study by TNS Study conducted for the Office of Fair Trading (OFT) of the Union European.

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## *List of interviews*

### **Initiatives Pro-Consumer**

- Center for Financial Inclusion (Susy Cheston, Senior Advisor)
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- MFTransparency (Chuck Waterfield, CEO)
- Microfinance Opportunity (Monique Cohen, former CEO)
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