

Filipino Financial Customers' Views on Customer Empowerment

Report from the Field

May 2015

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Background and purpose of research

The objective of this qualitative research is to understand customers' views and perceptions on customer empowerment. The research aims to help build the definition of customer empowerment and create an approach to facilitate increased customer empowerment through financial service providers (FSPs). A healthy state of customer empowerment as elaborated in Box 1 can lead to appropriate selection, uptake, and sustained use of financial products and services designed and delivered to help the poor improve their standard of living.

Box 1. Statement of Customer Empowerment

I am an Empowered Customer: I **trust** the financial service providers I use, they treat me with **respect**; I am **confident** in transacting with them and feel free to exercise my **voice**. As a result, I make informed **choices** among the range of financial options available and **use** services I value. I have greater **control** of my financial life.

In this research, empowerment is viewed in three dimensions: choice, use, and voice. These are explored through actual experiences of low-income groups and individuals in relation to their use or non-use of financial products and services, including digital financial services (DFS). The specific issues in-relation to these are detailed in a [Field Guide](#).¹ These three dimensions may be reflected in the following capacities and actions.

Two qualitative research tools were used: focus group discussion (FGD) and individual interviews. Nine FGDs involving 51 financial customers and 15 individual interviews (of which 12 were unique interviewees who did not participate in the FGDs) were conducted in Metro Manila (Quezon City) and its neighboring provinces of Rizal (Rodriguez Town) and Bulacan (Bocaue, Bustos and Pandi Towns). The sample included low-income financial customers reached include rural and urban women, microentrepreneurs, farmers, informal settlers, employees, driver-operators, and those with family members who are overseas Filipino workers (OFWs).

Two FSPs chose the FGD participants from among their active customers. While guided by the customer profiles pertinent to the research project, the FSPs primarily adopted a semi-random selection method based on the date of the field research (e.g., invite customers scheduled to attend the regular center meetings associated with microfinance transactions). Alay Buhay Foundation was the FSP research host; it provided the urban-based customers. Alalay sa Kaunlaran, Inc. (ASKI) provided the rural-based customers.

It is important to note that, because microfinance providers selected the customers most customers interviewed were microfinance loan customers. Microfinance has achieved significant scale, with 186 banks serving over 1 million customers (out of an adult population of 68 million), according to Central Bank of the Philippines. In urban and peri-urban areas, the market is very competitive with customers having numerous choices among providers. Experience with remittances was prevalent among the sample

¹CGAP Field Guide to Obtain Customers' Views on Empowerment.

and reflects the widespread use of remittance services in the Philippines—21 percent of households sending and 34 percent receiving in 2014 (Global Findex 2014). But there were few users of formal banking services and no mobile users. This in part reflects low levels of mobile money and formal banking penetration. While the Philippines has a mobile phone penetration rate of over 100 percent, mobile banking has struggled and reaches only 4 percent of the population. Access to formal banking is similarly low with around 21 percent of people having an account at a formal financial institution and 15 percent having a savings account (Global Findex 2014).

Insights on Customer Empowerment

Choice

In terms of choice, the majority of the FGD customers individually expressed confidence in the ability to “choose the FSP that is best suited for them.” To support this confidence to make informed decisions, customers cited the following practices:

- Make the effort to compare products among FSPs: “I ask around as I do not want to borrow anymore from informal moneylenders”; “I shop around FSPs for terms that are easy and affordable”; “I ask friends about their experience with the FSP and tend to choose the FSP where friends have gained the most benefits.”
- Know and study the product features (“alamin mo muna” or “know it first”) to determine the appropriate product for them. Other than information as the basis for choosing FSPs, customers also strongly feel that having the right attitude helps drive decision-making. Courage (“lakas ng loob”), optimism (“can do” attitude), and pursuit of a dream for a better life especially for the children (ambition) motivate customers to make decisions: “I do not want my children to experience the hardships I have gone through. I have to be courageous and hard working for them.”

Other factors that contribute to a positive sense of empowerment on choice and the ability to make decisions are as follows:

- **Customer earning capacity:** Seven groups indicate a heightened level of empowerment among members who earn their own money. This earning capacity is associated with the ability and freedom to enter and meet financial obligations. (“If I can earn enough to repay the loan, I need not inform my husband about taking a loan.”) When the earning capacity reduces, for example, due to business failure, customers were also quick to state that the sense of empowerment can also go down. (“We cannot therefore state for sure that this confidence we have now will be of the same level in the future.”)
- **Experience from many years of decision-making** and making adjustments to living, raising a family, and running a microenterprise: With nearly 60 percent of the customers having reached elementary (six years of schooling) and high school (10 years) only, they rely not only on formal

education but more so on day-to-day life experiences or learning from trial and error to hone their decision-making skills (seven groups). (“We learned from our mistakes.” “To see is to believe is the motto I live by.”)

- **Increasing financial needs** associated with needs of growing children: This situation keeps customers active financial players, mostly in taking loans to meet the constant and ever pressing financial needs of the family (seven groups). The active roles they play expose them to many types and forms of microfinance and FSPs, which broadens their range of experiences, knowledge, and skills in financial management. (“When in dire need, I find myself going into multiple borrowing.”)

Moreover, because this field work was conducted in highly urbanized Metro Manila and its neighboring provinces outreach was extended to more experienced customers that have more exposure to an array of FSPs. The research results would likely differ if participants were customers from more remote areas where the only formal FSP may be a pawnshop.

In terms of facilitative factors that relate to FSPs, the majority of customers affirm that they find FSPs to be generally active in informing customers and the target groups about their products and services and processes. This welcoming presence makes customers feel supported and encouraged to pursue their dreams and to persevere.

Three groups indicated that, in addition to information sharing, they highly appreciate reliable delivery of products and services. Customers can easily choose one FSP over the other from concrete evidence that it is not “all talk” but that it really delivers on its pronouncements or commitments. (“I got convinced to join the FSP when I saw a neighbor receive insurance coverage over the death of a family member.”) Some individual interviewees shared the opposite about deciding not to join institutional FSPs when they saw how their neighbors and relatives lost their assets (house and lot, vehicle) for not being able to pay the loans. Awareness of not just the possible benefits but possible negative consequences from borrowing contributed to a wider understanding among customers of what hasty decisions can lead to.

There were also customers who did not feel empowered to choose. A minority of four FGD participants (8 percent) indicated they felt unable to make informed decisions. In relation to FSPs, the level of uncertainty results from the following:

- Having too many FSPs with a wide range of products and services can confuse customers: “Because of financial need, I have to choose to avail of a loan from [an] FSP. However, I am not confident of having chosen well. I use different indicators depending on [the] situation. With this current FSP, I chose it for its low interest rate and easy access.”
- Not knowing enough about the FSPs, which can lead to mistrust: “I am not sure if the FSP tells the truth.”
- Current state of multiple borrowing and over-indebtedness made the customer doubt her ability to make decisions, for example, about taking another loan.

One customer cited her lack of courage to talk to her husband about taking a loan and her dependence on her husband to make decisions for the family. Another customer clarified that she also knows of some

women who let their husbands decide to avoid being blamed and berated when repayment problems arise.

Use

A majority of customers (92 percent) affirmed their abilities to use or make the most of services on offer. Common products and services that customers actively use include loan, insurance, savings, and remittance: “I can’t stop borrowing money”; “Hard life and cash shortage keeps me borrowing money. I hope that I will not be in debt forever. But for now we value the available financial support provided by FSPs.” A few mentioned using debit cards and credit cards to buy goods: “Before when we had no businesses, we cannot easily access microfinance. These days, with our demonstrated earning capacities, we have on hand many FSPs eager and ready to serve our varied needs.”

The usual journey starts with borrowing money from family and friends for urgent expenses, such as medical treatment. Informal moneylenders are sought next when family and friends are unable to provide support. Once the relationship with institutional FSPs is established, many customers expressed a wish to stop taking loans from informal moneylenders because of their usurious rates. A few customers, mostly through individual interviews, prefer the easy access, prompt release, and familiarity that moneylenders offer. Despite the high cost of borrowing from moneylenders, customers like the fact that there is more flexibility to extend the repayment period with moneylenders, as compared to formal FSPs, when money is tight.



Generally, customers are familiar with how to use ATM cards primarily for savings (seven groups) and remittances (three groups). Customers who indicated that they are familiar with using banks and are able to maintain savings accounts with ATM facilities are those with family members who work as OFWs, have children with regular local employment receiving salaries through their bank accounts, or have growing businesses that generate income and involve check payment.

In general, customers with experience in remittances became DFS users not by personal choice but through their affiliation with government programs and some private companies that employ DFS in product and service delivery. Several interviewees were recipients of the 4Ps conditional cash transfer government program for the poorest families. 4Ps customers receive their monthly allowances through ATM cards of accredited FSPs, notably banks. Other customers receive pensions from former employers, or financial support from family members, through bank accounts with ATMs.

Offices or kiosks of remittance companies, such as pawnshops and community agents (relatively large community-based stores), use mobile phones to inform and confirm financial transactions. With a mere presentation of a text message that contains the transaction reference number, money can be promptly released to the receiver: “Within 30 minutes, I can receive the money sent to me by my son who works in the province.”

Customers thus learn how to use DFS by necessity and by affiliation to FSPs. They turn to family and friends, who teach them the basics and processes of DFS: “I was accompanied by my niece when I first withdrew money using my ATM card. She was my teacher.” This made for a relaxed learning atmosphere and smooth transition to technology-based service delivery. In case they forget how to make a particular transaction, they can always call on their family members or friends for help. Customers, in general, affirmed that they have overcome their fears with technology from constant use.

With FSPs, the common touch points are as follows:

- Security guard—ever present and available, the guard usually becomes the source of information on how to use the ATM: “We ask the guard.”
- FSP staff and materials—sometimes there is a process orientation provided to customers, leaflets are distributed, or you can just ask the staff about the processes
- Telephone hotline—this is the least popular touch point as the few customers who used the hotline were not comfortable using a telephone with recorded messages and directions and found the process time consuming and complicated. In addition, calls are relatively expensive (P8/minute) while SMS is only P1/text. Most customers know about the hotline but expressed lack of interest to use it when a security guard is on hand to answer most of their questions.

The use of technology through DFS has brought out a sense of pride in some customers who have conquered their fears to adapt to modern ways “I am so good! I can withdraw money from a machine [Ang galing ko!].” Among the top three common reactions of customers who use DFS are the following:

- Fast service (six groups): “you can receive the money within minutes”
- Once you get started, it is easy to make subsequent transactions (five groups)
- Safe place to keep the money (four groups): “with the ever-present and 24/7 availability of ATM services, I can keep my money in the bank and only withdraw the exact amount I need”

Voice

A higher percentage of customers (98 percent) individually expressed confidence in their ability to communicate with the FSP about their financial needs or wants. In support of this high level of confidence, customers shared these insights and experiences:

- Not talking about the problem will only aggravate the situation: “We need to talk about repayment problems to arrive at a solution.”
- Active communication can bring harmony and benefits: “When we communicated our situation to our FSP after a natural disaster struck, we received relief goods from the FSP.”

- Knowing the FSP staff makes it easy to raise complaints: “I can complain because I know the manager who is actually my cousin.”
- Unfair treatment should not go unreported: “When I see unfair treatment such as violation of the ‘first come first served’ policy, I really complain to the management.”
- It helps that the FSP communicates and is ready to listen to customers: “We are used to communicating by text to our Loan Officer for many reasons, e.g., when we have repayment problems, or when he will be late to the meeting, he sends our leader a text message”; “I received a phone call from my FSP asking me for feedback on their services.”

Although there was only one group in which a customer indicated shyness or embarrassment as the reason for not talking to her FSP, upon probing, various insights were shared by customers on possible reasons why others stay quiet:

- One voice is powerless: “I am only one voice; to be heard, there may be a need for a collective voice.”
- I can just leave the FSP: “If I am no longer satisfied with the services, I do not have to say anything. I just leave.”
- Gratitude to the FSP: “It is embarrassing to complain when we have benefited as borrowers of the FSP.”
- Policies are set and cannot be changed: “Why raise suggestions when policies are final? We were informed of these policies when we joined, and even if we did not like them [e.g., having to pay for someone else’s loan as co-maker], we accepted them so it is expected of us to abide by these policies.”
- Petty matters can be tolerated to avoid conflict: “If the staff does not follow the order of clients in the queue and serve first those who came last, I just let it pass.”

The main reason for customers to initiate communication with the FSP is when there is a repayment problem (eight groups). All customers are aware that repayment responsibilities have to be promptly met and any repayment issues must be raised to the FSP for immediate resolution. Some customers affirmed being encouraged to complain to FSPs based on past occasions when issues raised were favorably resolved, e.g., slow service.

Three groups shared experiences of suggesting to FSPs that they consider some changes with policies or to clarify some policies and product features.

Common communication channels between customers and FSPs include the following:

- Regular meetings (six groups)
- Via the field staff who come to the village regularly (five groups)
- Via branch management whom most customers know as some microfinance transactions take place at the branch (four groups)

A few groups suggested ways to create a conducive atmosphere for communications. The top two suggestions were (i) an efficient system to accept feedback that includes a reporting system on response/action taken and (ii) friendly and approachable branch staff to receive customers.

On what makes for fair treatment by FSPs, customers had this to say:

- Transparency builds trust. Customers appreciate FSPs that take the time and effort to clearly explain product features and processes
- Staff talk to customers respectfully, calmly, and politely; listen and help customers resolve issues
- Extends equal treatment to everyone and shun favoritism in areas such as determining loan sizes or speed in loan processing

Main Drivers of Customer Empowerment

An overall strong sense of empowerment was expressed by a majority of informants. This is mainly a result of being active financial players—they earn money, spend money, lose money, save money, send money, and use financial products and services to meet desired goals and objectives.

Having a goal: “I will do everything in my power to give my children a better life.” Filipino customers will try everything possible to generate income in their desire to move out of poverty and give their children a better future. They make up for their limited education and lack of skills with hard work, persistence, and sacrifices, such as having no more time for personal needs, with every waking hour dedicated to the microenterprise and the family.

While many of the customers have yet to reach their goals, just having the freedom to take action and pursue the goal with earnest is considered to be empowering.

Taking action and persevering: “We try and try. Even if we fail, we get up and try again.” There is really no written action plan with concrete strategies and activities. It is more of a mantra to get up and keep going. This active lifestyle is peppered with many moments that involve quick assessments of situations and making big and small decisions. When decisions bring good results, such as high income, the feeling of empowerment spikes up; it goes down when decisions lead to problems.

Customers are quick to point out that not every decision in life will bring success. What is important is to learn from mistakes and make adjustments to attain better outcomes. The attitude to keep going and not lose hope and to make changes in dealing with situations—these are also key facets to empowerment.

Being resourceful: “I look around to identify which individuals or institutions can serve my needs.” Limited resources entail partnership building to have access to needed resources. It starts at home with husbands and wives consulting with each other on whether or not to take a loan and to determine what amount is enough to finance the plan and still ensure that the debt responsibilities can be met. It involves the community and getting feedback from friends and relatives who have had the opportunity to use the product being considered. Questions around reliability and accessibility, among others, can be addressed

by these testimonials. When provider representatives come to the community, customers, in the presence of friends, feel comfortable to engage with FSP staff to ask and clarify any questions they may have. Regular visits by FSP staff to the communities further promotes a “comfort zone” for customers to communicate as needed.

Sustained partnerships and use of products is subject to satisfaction with the product and service delivery. Slow service, unfair treatment of staff, or not meeting expectations in the delivery of products and services could prompt customers to leave and look for other providers. This is found to be a common exercise of empowerment among customers. A less popular response is make suggestions to providers on how to improve its products and services. Filipinos, being generally non-confrontational, would rather just leave than have their individual voices heard.

Facilitating Factors to Customer Empowerment

Presence of an Array of FSPs. Many FSPs are on hand to service the varied financial needs of customers in the areas where interviews and FGDs were held. In particular, they help open up development opportunities for customers through financing action plans in pursuit of goals. Customers have indicated that learning from practical experiences is key to their empowerment. These experiences help to mold characters and sharpen abilities toward harnessing individuals’ potential to develop and live in decency and sufficiency.

Initially realizing that they can get a loan (only) from their FSPs, customers are motivated to stay loyal to gain possible access to a wider range of products that are beneficial to the family. Seasoned customers put a premium on insurance, scholarships, educational loans, etc., and access to these services becomes an important criterion when making a choice and using products and services.

FSPs also promote active information sharing and encourage customer feedback through regular staff interaction with customers in the field. Some FSPs, particularly microfinance nongovernmental organizations (NGOs) rather than banks and cooperatives, go the extra mile and provide customers financial literacy and entrepreneurship development training. When the statements cards were shown during the FGDs, a customer remarked that she just attended an FSP seminar that highlighted the important roles of female microentrepreneurs. She was thus able to easily relate to the statement card that acknowledges her ability to choose.

A few customers found it difficult to compare among FSPs, citing distrust of information disseminated. Customers turn to family and friends to share testimonies about their actual experiences with FSPs as a way to gauge credibility and reliability.

With many similar products and services being offered by FSPs, customers can exercise their right to change FSPs when the one they joined does not satisfy them. The ability to choose and use financial products and services is honed from practical interaction and engagement with several FSPs over many years.

Use of Technology. FSPs harness technology to increase access to a wider customer base and deliver fast, safe, and convenient products and services. As customers engage with institutional service providers, they also get exposure to and more familiar with technology and DFS. Initial fears about technology turn to awe when money comes out of the machine after tapping of a few keys, but not without the assuring presence and guidance of family members, or friends, or the helpful security guard.

Empowerment comes from knowing that customers, too, can learn and adapt to modern ways, at any age given the right support.

Hindering Factors to Customer Empowerment

Belief that one voice cannot make a difference. When given the chance to speak out, customers often have something to say. On their own, however, customers would rather keep their opinions to themselves for a variety of reasons, such as (1) avoid an embarrassing situation, (2) show respect to the FSP by not criticizing, and (3) hold the belief that one voice cannot bring about change to the way institutions operate.

Inability to read and write. The ability to read and write has not been highlighted as an important aspect of empowerment during the discussions and interviews, maybe because all of the customers covered in the research attest to being able to read and write (the literacy rate in the Philippines is 97.5 percent).

Annex. Dimensions of Empowerment by Persona

	<i>Persona</i>			
Choice	Women Microentrepreneurs Mothers responsible for caring for an average of 1–4 children and income earner. Main income is microenterprise that is mostly home-based and labor-intensive. Urban or rural. Education not a distinguishing characteristic—half have only an elementary education.	Male Heads of the Family Skilled or semi-skilled, fathers working in the informal sector as a taxi driver, low-ranking employee (security guard), or farm or construction labor-for-hire. Mostly high school graduate (10 years of schooling).	Returnee Overseas Filipino Workers Men/ women, rural/ urban. Return to the Philippines with money saved. Often starting own business or joining spouse in the family business established with income earned working abroad.	Small Farmers Mostly men, planting rice in irrigated farm lands or engaged in raising livestock. They borrow to finance production inputs, mostly from agriculture traders. Despite high interest rates, stick with traders due to “debt-trap” caused by inability to fully repay production loans.
	Years of using microfinance products and services leads to confidence to choose between providers, and willingness to shop around. Willing to invest in building relationship with provider.	Tends to choose an FSP he knows, due to easy access and less fuss, regardless of cost of borrowing. Does not demand a broader relationship with the FSP.	Having worked abroad, earned own money, and used remittance and savings services feels confident to choose and make decisions on her/his own.	Limited choice being tied-up in a “debt trap” with trader money lenders due to erratic production levels aggravated by extreme weather conditions.
	Actively consults spouse when weighing decision to take a loan and expects spouse to help out with repayment when needed; she generally makes the decision based on her enterprise’s earning capacity.	Generally consults with spouse but makes the final decision as the breadwinner of the family who will be mainly responsible for debt payment.	Suitable FSPs are those that can financially support the plan to set up or expand family businesses; the need to choose an FSP is not driven by urgency, and as such, s/he can take the needed time to compare among FSPs and use products.	Entry of new FSPs in the area offers options but could lead to multiple borrowing that holds on to the promise of a bountiful harvest to come.
	Seeks, processes and uses available information from more than one source—the FSP, friends, and neighbors who have used the FSP’s services.	Mainly considers borrowing out of family necessity.	Considers borrowing to establish a stable and sufficient earning capacity.	Singularly makes decisions on production loans based on his technical know-how.
	Compares FSPs and tends to prefer FSPs that offer benefits for family members such as scholarships for children and insurance.		Invitations from many institutional FSPs expose them to various loan products, widens their options, and increases their confidence to borrow.	

	Women Microentrepreneurs	Male Heads of Family	Returnee Overseas Filipino Workers	Small Farmers
Use	Active user of financial products and services.	Use is based on easy access and familiarity; not curious to try out new FSPs.	Active user of wide range of financial products, including DFS. Exposure through travel makes them comfortable to use DFS.	Limited to use of production credit; value in the relationship goes beyond credit with the trader meeting other production functions such as marketing.
	Mostly active in taking loans for enterprise and family needs such as education of children.	Generally depends on earning capacity to provide for family needs.	Uses loans to supplement savings to finance business start-up or expansion.	Generally depend on traders for production financing.
	Comfortable using DFS with family, business partners, suppliers, buyer abroad: use ATMs, bank-to-bank payment, or showing text message as proof of ownership to remitted money via remittance companies notably pawnshops.	Open to take loans from informal moneylenders to meet emergency needs of the family.	Finds sending money from/to family members working abroad easy due to DFS such as withdrawal from ATMs or showing text message in mobile phone as proof of ownership to remitted money.	In-kind transaction prevails, i.e., financing in kind (production inputs, food) and payment in kind (harvest).
	Mobilizes limited savings as income goes mostly to children's education.	Prefers to take loans from moneylenders due to flexibility in repayment terms, regardless of additional costs associated with delayed payment.	Generally feels comfortable with use of technology associated with remittance services and communication facilities, such as Facebook and mobile phones.	Space for other FSPs for other loan purposes; uses financing from institutional FSPs that extend cash loans to pay farm laborers in land preparation, buy crop insurance, or buy gasoline for irrigation pump.
	Gets microinsurance coverage for herself and family members through loans from institutional FSPs.		Saves in banks and considers banks as safe, secure, and convenient (ATMs) places to store money.	If not by himself, he will ask family members to communicate for him using mobile phones.
	She uses mobile phones to perform business functions such as taking orders, promotions, or communicating with buyers and suppliers.		Collateral requirement of banks makes them seek other FSPs for loans.	

	Women Microentrepreneurs	Male Heads of Family	Returnee Overseas Filipino Workers	Small Farmers
Voice	Not pro-active in giving feedback, believing that one voice will not make a difference, but opportunity to voice feedback exists when encouraged by FSP.	Not proactive in giving feedback from lack of concern to bring about improved conditions in products and services.	Not pro-active in giving feedback but opportunity exists to share when encouraged by FSP.	Not pro-active in giving feedback and not being encouraged by the traditional FSP (traders).
	Actively communicates with FSP on loan repayment matters.	Main reason for communicating with FSP is on loan repayment matters; when cash is tight, he proposes another repayment period that generally gets approved at extra cost.	Wider exposure to different cultures and experiences makes her/him feel more comfortable to ask questions and seek clarification.	Long-standing relationship facilitates communication as needed; he finds it easy to talk to his FSP.
	Will not volunteer opinion or suggestions on other matters unless asked by the FSP.	Will not spend time or effort to make suggestions on other matters as he does not like to fuss about things.	Will not volunteer opinion or suggestions on other matters unless asked by the FSP.	Will not spend time or effort to make suggestions on other matters as he does not like to fuss about things.
	Believes that one voice will not have the power to change existing policies.			Gets frustrated when crop insurance service provider delivers poor service and will just opt not to buy another insurance plan, if possible, from FSP.
	In case of dissatisfaction with the service or policies, will opt to leave the FSP and explore going to another FSP.			