

Behavioral Themes
Urgency / Timing; Loss
Frame; Identity / Perception
of Self

Sector
Financial inclusion

Project Type
Field experiment

Sample Size
63,608 participants



Improving the uptake of digital credit



Photo credit: Random Institute





Photo credit: Random Institute

How can behaviorally informed messaging improve productive uptake of digital credit?

The Nigerian Government Enterprise and Empowerment Program (GEEP) is amongst the handful of government-led low-cost microloan programs that are serving to bridge the MSME and farmer credit access gap. The goal of GEEP is to increase access to microloans to facilitate MSME investment in working capital for growth and job creation. Under the GEEP program, individuals who were unable to access these government microloans were encouraged to apply for a new loan product provided by one of the nation's mobile operators called 9mobile.

Many GEEP borrowers were unable to access MarketMoni loans given the BVN requirements to register. As a result, GEEP developed an alternative, two-week lending product that facilitated disbursement through a mobile money provider. Yet, at initial promotion, few customers adopted the product for a number of reasons. GEEP commissioned Busara to test different message frames to increase uptake of the new, short-term loan product.

A behavioral science approach

Users engaging with a digital financial service are subject to a number of competing priorities for their time. Beyond the obvious structural barriers of prohibitive costs, literacy rates, or digital connectivity, there are further behavioral barriers that can come into play. Limited attention, unclear benefits, and a tendency to procrastinate could all contribute to limited engagement with a new digital financial service.

In this project, Busara was commissioned to design a set of behaviorally-informed messages that would increase uptake of a new digital credit product in Nigeria. This project aimed to explore how an understanding of biases might lead to more effective design of promotional messages that increased registration without negatively impacting repayment rates.

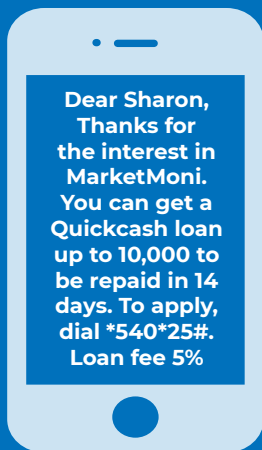


Design and Results

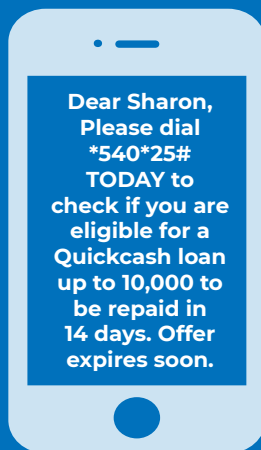
Three different types of message framings were sent once to 57,256 unsuccessful GEEP loan applicants in November 2017, inviting them to apply for a smaller, KwikCash loan with a 2-week repayment period. These message framings: urgency, exclusivity and loss framing, were designed based on behavioral challenges that were found during the qualitative exercise.

We find that the urgency framing had a significantly higher adoption rate, and did not crowd in worse borrowers.

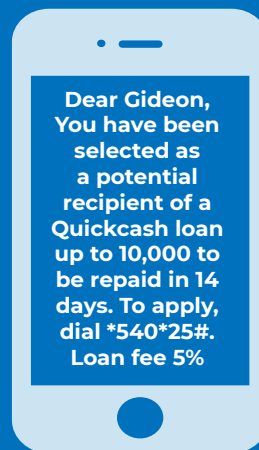
Control Message



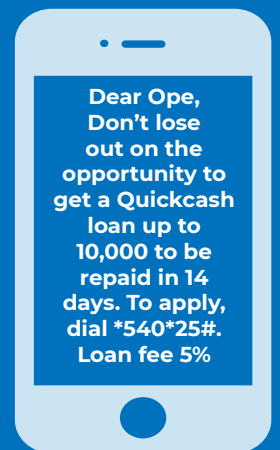
Urgency Framing



Exclusivity Framing



Loss Framing



Average rate of loan application by treatment group

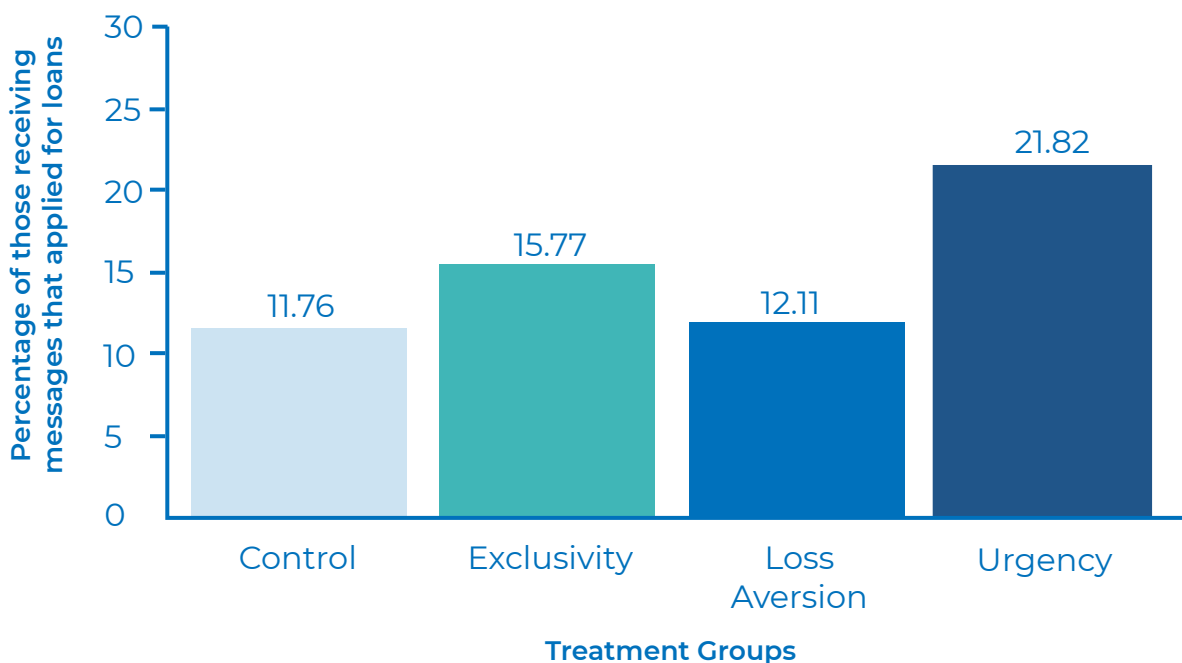




Photo credit: Busara Center

Discussion

Urgency most effective when specified

The time-bound messages had a strong effect on driving uptake of the product, but in early piloting we also saw that the specificity of the offer was critical in motivating action. Generic time constraints, while helpful, do not compel users in the same way as a specific call to action.

Loss framing is less effective for a new risk

We have seen strong effects of loss-framing messaging for new products that provide alternatives to existing services (payments platform, savings devices etc.), but it appears that with a fairly new service offering (digital credit) that has a potential risk, this may be less effective.

Urgency not necessarily a driver of adverse selection

One concern we had with the urgency messaging was the fear that it might crowd in bad borrowers who were seeking an easy fix to a financial challenge. We analyzed the approval rates of all prospective borrowers and found no significant effects between treatment groups, indicating that the urgency messaging did not lead to undue adverse selection, which is an encouraging sign.