Mobile-izing the Mainstream to get Extreme
Inclusive Innovation begets Inclusive Products

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Are we still talking about mobile money? Since M-PESA’s break-out
Kenyan launch in 2007, it seems development, banking, and telecom
industries alike have been talking and talking about the so-close-you-
can-taste-it future of instant payments, intuitive budgeting, and the end
of brick-and-mortar banking.

But how close are we to attaining this world of on-the-go, mobile
technologies that truly get us to inclusive financial products? What’s the
potential for mobile to reach underserved consumers in our own
American backyards? The case begins with a sharply rising smartphone
adoption rate and data suggesting the deepening reliance of households
on mobile phones for Internet access. Pair this with national figures
showing that just over 20% of Americans are underserved by formal
financial institutions, and that 40% of all adults give themselves a C, D or
F on their knowledge of personal finance. If indeed we see an overlap in these populations (smartphone
users who need better access to financial services), then we hypothesize that innovation in mobile
technology can leverage this near-ubiquity of smartphones among underbanked Americans to provide
truly inclusive financial products and services.

Why we should Still Care about Mobile: Prevalence, Heavy Users, & the New Norm in Internet
Connectivity

Prevalence (duh):

Highlights from a report by PEW Internet Research Project confirm that mobile phones are everywhere.
We know this intuitively, from our own pockets to our interactions on buses, in boardrooms and on
campuses.

Indeed,

● 87% of American adults own a cellphone
● 45% own a smartphone
But these statistics look even more interesting when examined more closely.

**Heavy Users of Mobile Phones and Mobile Financial Services**

A [Federal Reserve study of mobile financial services](http://www.federalreserve.gov) fills innovators' sails with hope:

| Table 1: Federal Reserve, Consumers and Mobile Financial Services 2013 |
|--------------------|--------------------|
| **Underbanked**     | **US Consumers**   |
| Have a mobile Phone | 90%                | 87%                |
| Have a Smart Phone  | 56%                | 45%                |
| Used Mobile Banking | 49%                | 28%                |
| Used Mobile Payments| 30%                | 15%                |

We see a pronounced overlap in populations who are both underserved by formal financial institutions and are actively using mobile technology. This research has motivated our work in the space, and serves as a point of departure for our own pursuits in mobile financial services.

As penetration of mobile devices increases, particularly among low to moderate income and unbanked/underbanked households, the potential for mobile devices to play a central role in the delivery of financial services and knowledge increases. The promise of mobile devices and mobile applications (apps) to serve as key access points and vehicles for building capabilities has compelled innovators in the financial services space to seek out new, exciting applications of mobile technology to solving financial problems.

**The New Norm in Internet Connectivity:**

A second important piece of the American mobile story (and increasingly, the global narrative) is the sharp rise in smartphone usage, and more precisely, the even faster than average adoption of smartphones among low income and underbanked households.

**Related research from PEW** suggests:

- 1/4 smartphone owners report their smartphone being their main source of internet access
- 1/3 of those report their smartphone as the only source of internet access at home
  - “Smartphone owners under the age of 30, non-white smartphone users, and smartphone owners with relatively low income and education levels are particularly likely to say that they mostly go online using their phones.”

This trend speaks to the power of mobile devices not only in transacting via SMS rails, but in enabling more complete web-connected services, tools, and advice or access via mobile applications.
The openness of app marketplaces (though subject to approval by the iOS and Android platforms, anyone with technical chops can build and submit an app to the app store), makes them a prime point of entry for people with great ideas - not just powerful, established firms - to influence the tools that shape the lives of people nationwide.

In short,

1) We know that mobile is ubiquitous, growing, here to stay, and offers unique potentials.
2) Still, it isn’t clear that the benefits of mobile fintech innovation will accrue to vulnerable people absent some focused effort to achieve this.
3) Nor is it clear that those currently creating fintech solutions are focused on capabilities in addition to access.
4) As a result, it is our goal to educate and energize key stakeholders about the opportunities in serving an inclusive market, to draw in new players, and to explicitly and intentionally support an ecosystem focused on reaching underserved consumers through inclusive fintech products and services.

An Extreme Approach: Innovation via Public Challenge

D2D’s work in mobile technology has taken the form of a series of public innovation challenges. In partnership with the U.S. Department of the Treasury and the Center for Financial Services Innovation, D2D launched a national Challenge to generate fresh, creative ideas for innovations in the mobile app space.

Challenges as Democratizing:

The idea of a public challenge is itself an attempt to democratize the innovation around mobile financial services. A call to Americans nationwide drew winning ideas and designs from people of all walks of life. Analysis of winners in the MyMoneyAppUp Challenge and early findings from the follow-up FinCapDev Competition show that the open call for submissions elicited the participation of men and women of various ages, from as young as 16 to retirees, and hailing from across the United States. This preliminary data suggests that the challenge format for innovation opens a wide aperture, allowing for the process itself to be more inclusive of ideas from a wide spectrum of our community.

The intended result is more than just a feel-good, inclusive process, but rather a suite of better, more relevant ideas, designs, and products that are rooted in consumers’ genuine experiences.
Harnessing the Unique Properties of Mobile Technology:

In thinking about the potential for mobile apps to shape the future of financial inclusion, it is important to think beyond scale and reach (who is touching using benefiting from these technologies) to examine what it is about the technologies themselves that make mobile devices and the apps they power particularly well-suited to address the needs, financial and otherwise, of underserved consumers.

An analysis included in the first report of results from the MyMoneyAppUp Challenge calls out the ways in which ideas of apps capitalized on the unique properties of mobile technologies:

- **Portability of the mobile device**
  - Example: *I want an app that can hook up to my car and tell me how much it costs per gallon to drive at my current speed. Second feature would be local gas prices.*

- **Built-In Geolocation (GPS) technologies**
  - Example: *I want an app that locates people around you who are willing to trade away an item that you would have otherwise purchased, then facilitate the trade.*

- **Ability to deliver audible and haptic (vibrate mode) alerts**
  - Example: *I want an app that zaps me every time I walk into a store/restaurant/bar to spend money that I do not have. It will then show an alert with my budget for shopping etc.*
  - *I want an app that has pop-up notifications to tell me what items on a wish list I could have purchased with the money I spent on coffee, etc. in the last month.*

- **Ability to capture a photo or video**
  - Example: *I want an app that allows me to set a categorized budget each month and take photos of receipts to track expenditures in real time to show the percentage used/available.*

Beyond the technical features that make smartphones a good fit for delivering financial content and services, are less tangible, but no less compelling, qualities. As D2D has observed in other spheres of work, engagement is a critical raw material that enables the fostering true financial capability.

- **Inherently and Deeply Personal:**
  - Smartphones are not typically a shared asset. They become a personal device, customized and tailored to the needs and preferences of their holder. A smartphone has become the catalyst for the holder’s immediate and intimate connections to the outside world. E-mail, calls, texting, tweeting, posting, and blogging are almost always a thumb and an index finger away. Thus smartphone devices are fully set up for more personalized, intimate and immediate connections to goods and services, including financial services.

- **Engaging:**
  - It has become almost cliché to observe how attached people are to their phones. With the right app, smartphones are in a position to transform financial services from mundane and staid, to engaging, fun and – dare we say it – at least mildly “sexy.”

Building the Tools: FinCapDev
In a matter of months, we will announce winners of the development side of our mobile efforts. Twelve teams are currently transforming winning proposals into fully functional, market ready apps. These apps address a host of financial needs, from savings for big-ticket purchases to calculating the tradeoffs of borrowing for college, to managing money with your partner. It is tempting to hold up the resulting apps as the culmination of a nascent ecosystem of partners ranging from social networking giants and financial service industry heavy-hitters, to app development coalitions and co-work tech communities. Successful apps will indeed serve as proud outputs of cross-sector collaboration. But what happened to those apps after their June debut?

What We Still Don't Know...

There’s an implicit theory of change in this work that suggests that including the ideas and designs of a diverse group of people, most of whom have never worked as bankers or a software coders, will yield creative solutions to financial gaps in their lives. Using a democratizing process like the public challenge, and setting our sights on the destination of a democratic marketplace is a powerful, meaningful attempt to spur innovation targeted at people whose lives are most affected by financial insecurity.

The happy ending remains to be seen, and hinges, in our mind, on two questions for pointed research:

1) How, over time, can efforts like our national challenges serve to spur the larger fintech markets toward offering truly innovative, broadly inclusive products that serve the needs of all people?
2) To what extent will consumers who are most in need of and want these app-delivered services find and use them? And assuming that they do, will they change their financial behaviors and stabilize fragile household financial situations?

Yes, these are big questions. But we see these as THE questions that remain to be answered. The app marketplaces are difficult to navigate and indeed we heard many requests for budgeting apps in our first Challenge, which mirrored current offerings in the app stores. Is there a missing link in this story about promoting apps and delivering them through trusted channels directly to people who benefit most from them? An app is only as powerful as its use, and critical thinking and acting are necessary to ensure that creatively engineered apps don’t collect dust in the miles of virtual shelving of crowded marketplaces. Or will a cloudburst of similar, if under-discovered apps, itself spur the market to focus on new terrain?

Inclusion cannot stop at the creation of potentially inclusive products. It ends when these products meet the needs of people.