

Researchers

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Timeline

2013-2014

Sample Size

529 visits to financial institutions; 62 credit officers

Research Implemented by IPA

Yes

Shopping for Financial Products in Peru

Abstract

Financial products have the potential to help the poor, yet most financial institutions are driven by commercial goals, and their staff may not be incentivized to offer products most suitable to low-income clients. In this study in Peru, participants visited banks and pretended to be shopping for financial products in order to gather information on how bank staff treat different types of clients. Policymakers aim to use the information from this study to improve consumer protection policy and practices for financial products and services in Peru.

Policy Issue

Financial institutions, driven by commercial interests, often offer expensive products to clients first, and staff are rarely incentivized to provide information about ways to avoid fees or access cheaper products. Meanwhile, many clients lack the necessary understanding of financial products to engage in sound financial decision-making; it requires a certain level of financial knowledge to avoid paying fees, or to ask if a cheaper product is available, even when it is not offered. Less informed customers may not be able to navigate this territory to find products that best suit their needs.

Indeed, research suggests that lack of transparency and low quality of information provided by financial institutions has negative consequences for low-income consumers. In a related study, for example, staff at financial institutions failed to voluntarily provide much information about avoidable fees, especially to people lacking financial knowledge, and clients were almost never offered the cheapest product.^{[1](#)}

Many governments around the world have tried to address this problem by introducing legislation to improve customer protection policy and practices related to disclosure and transparency for financial products. This study aims to contribute evidence for such policymaking in Peru and beyond.

Context of the Evaluation

The World Bank and Peru's banking and insurance supervision agency, Superintendencia de Banca, Seguros, y AFP (SBS), are working to improve consumer protection policy and practices in the Peruvian market for financial products and services. This includes work to improve product disclosure and transparency for credit and savings products. These institutions are therefore seeking high-quality data on existing practices, notably the quality and type of financial information and advice offered to low-income individuals by Peruvian financial institutions that provide savings, individual term credit products, and credit cards.

Details of the Intervention

To evaluate whether financial institutions provide different treatment to clients based on their profile, and if so, what the differences in information are, researchers carried out an audit study of financial institutions in urban areas of the northern, southern and central regions of Peru, specifically in the cities of Lima, Puno, and Piura.

The study had two phases. First, low-income individuals carried out 529 visits to financial institutions, which included commercial banks, lending institutions and microfinance institutions, where they pretended to be shopping for different financial products. They either requested a savings account, a term credit product, or a credit card. Prior to conducting the shopping exercises, the participants received two days of training on how to act out their assigned consumer profile. They followed scripts that entailed using language and behaviors that signaled high or low levels of financial experience.

After the exercises, the participants completed questionnaires on what information was presented and in which forms, as well as on their personal impressions of the quality of information, advice and customer service provided by the institutions.

Mystery shoppers' visits were intended to determine the types of information—verbal, physical and otherwise—institutions provide to low-income financial consumers. The participants act out the different consumer characteristics to enable researchers to examine any differences in how staff treat clients based on perceptions of the clients' financial knowledge.

In the second stage, surveyors carried out interviews with 62 credit officers, at institutions where the exercises had been conducted, to obtain information on the staff members' socio-demographic characteristics, perception of clients, financial knowledge, and salary and incentives structure.

Researchers will merge results from this study with findings from related studies in Mexico and Ghana.

Results and Policy Lessons

Results forthcoming.

Sources

[1]Giné, Xavier, Cristina Martinez Cuellar, and Rafael Keenan Mazer. "Financial (dis-) information: evidence from an audit study in Mexico." *World Bank Policy Research Working Paper* 6902 (2014). Available at:

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2445748

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