

DISCUSSION GUIDE: MERCHANTS (INDIVIDUAL)

1. Pre-Introduction

(5 minutes)

- Welcome all the respondents
- Introduce the purpose of the research
 - ““We all work for an organization called Dalberg, which is in Mumbai. We are working with USAID, an organization from the US, to understand what incentives can be provided to consumers and merchants to ensure uptake of digital payment mechanisms such as debit cards, mobile money, etc. We want to understand that what services can be provided to ensure that people start using digital means to transact. There is no right or wrong answer to any question, so please feel free to speak up. It will be really helpful for my team.”
- Introduce the research team present in the room.
 - Go around the room and introduce everyone
- Ask and get permission for photograph and audio recording

2. Introductory interview

(10 minutes)

- Fill out the interview questionnaire for merchants (*Appendix A*)

3. Inflow- Storage-Outflow

(35 minutes)

Cue cards and templates for this section are in Appendix B

Objectives

- To understand:
 - The key sources of income (inflow) and expenditure (outflow) of merchants
 - The key modes of storage of money
 - The frequency of income and expenditure
 - Their saving habits
 - Their cash handling mechanism, and costs associated with that

How to run the exercise

1. Lay out the template in front of the respondent
2. Explain the exercise to them
 - “The main aim of this exercise is to understand your main sources of income for your business (where all you earn from, how often does this money come to you, in what form does this come), expenditure (what are the major purchases you make in a month, how often do you make them, what are the modes (card vs cash vs bank transfer vs mobile money) that you use. And to also understand how do you save money, in what forms, and how often”
3. Begin with understanding the different sources of income inflow of the respondent
 - Place the cue cards for inflow on the table and ask the respondent to first remove all those sources from which he/she does not receive any income
 - Let the respondent first grapple with the cue cards himself/herself; however if they fail to understand any cue card, explain it to them
 - Once the respondent has selected the cue cards which correspond to his/her sources of income, ask them if they have any other source of income and place post its for the same

- Ask the respondent to then place the cue cards in order of share of income (cue card corresponding to highest share of income should be first, and so on)
 - Probe them on the following things:
 - Amount of income from each source
 - Mode of income (cash vs card vs bank transfer etc.)
 - Frequency (daily vs weekly vs monthly, etc.)
4. Next, move on to understanding the different sources of expenditure of the respondent
- Place the cue cards for outflow on the table and ask the respondent to first remove all those items on which he/she does not spend
 - Let the respondent first grapple with the cue cards himself/herself; however if they fail to understand any cue card, explain it to them
 - Once the respondent has selected the cue cards which correspond to his/her sources of expenditure, ask them if they have any other items on which they have a high share of expenditure and place post its for the same
 - Ask the respondent to then place the cue cards in order of share of wallet (cue card corresponding to highest share of expenditure should be first, and so on)
 - For their business, probe them on the following things:
 - Amount spent on each item per month
 - Mode of expenditure (cash vs card vs bank transfer etc.)
 - Frequency (daily vs weekly vs monthly, etc.)
 - Familiarity with the supplier (do you purchase one type of good from the same supplier, or do you use different suppliers, do you have a credit account open with them, if so, how does the account work)
 - Proximity of the supplier (is the supplier close by or far away, etc.)
 - How do they interact with the supplier (do they pick up the goods themselves, how often do they pick up the goods)
 - Payments to the supplier (how often do you pay your suppliers, do you work on credit, etc.)
 - Ask if they have any expenses for which they pay digitally, no matter how small. For these expenses probe on their reasons for paying the expenses in question digitally, the time spent transacting, if there are any transaction charges, etc.
5. Next, move on to understanding how people save and store money
- Use the large post it to draw a flow diagram of money each month
 - Begin by writing down the different forms in which people earn money (For E.g. Cash is 30k a month, bank transfer is 20k a month, etc.)
 - Then probe what the respondent does with this money
 - How much of this is kept in the same form and how much is converted to cash or digital
 - How frequent is the form of money converted (cash to digital, digital to cash, etc.)
 - When money is in cash, where and how is it stored
 - With cash that is saved –
 - Where is it deposited
 - How often
 - How far away is it
 - How much time does it take
 - How much money does it cost for transportation, bank charges, etc.
 - For withdrawing the money –
 - How is the money withdrawn
 - How often
 - How far away is it
 - How much time does it take
 - How much money does it cost for transportation, bank charges, etc.

- What methods of saving are they aware of, of these, which ones do they trust
- What percentage of their income is saved
- Do they feel they are saving enough money every month
- What is their experience with their saving mechanism (banks, self-help groups, MFIs, etc.)
- Do they wish for more ways to save their money
- Do they have a requirement for loans/credit
- What sources of loans are they aware of
- Do they trust these sources
- Do they wish there were additional ways they could receive credit/loans
- Do they have any outstanding loans
- Have they taken any loans in the past working capital loans and investment loans)
- What interest rate did they pay (test awareness on the interest rate paid, and then ask how much did they repay for every Rs. 100 that was borrowed, and how much time they had to repay the loan in)

4. Cash handling problems

(20 minutes)

Cue cards and templates for this section are in Appendix C

Objectives

- To understand:
 - The key barriers people face in their daily lives in using cash
 - How digital payments could be used to overcome those barriers

How to run the exercise

1. Lay out the template in front of the respondent
2. Explain the exercise to them
 - “The main aim of this exercise is to understand some of the barriers you face in using cash. As you mentioned, most of your income and expenditure is in cash, and the idea is to understand what all (if any) problems you face in using, storing and carrying cash”
3. Begin by understanding the barriers in using cash
 - First, place the cue cards for barriers to using cash on the table and ask the respondent to first remove all those cards which they feel don't reflect the problems they face
 - Let the respondent first grapple with the cue cards himself/herself; however if they fail to understand any cue card, explain it to them
 - Then ask the respondent to choose the top 4-5 problems they face in dealing with cash, and rank them in decreasing order of pain (whichever one is the most painful, place first), and place them top to bottom
 - For each problem they highlight:
 - Ask them to describe why it is indeed a problem
 - How do they overcome this problem? What are the adjustments that he makes?
 - Ask for a recent incident that substantiates their choice (in the last year or so: something that happened to them or to people they know. Eg. If they were robbed in the past year, or someone they knew was robbed, how much money was lost, how could it have been prevented, etc.)
 - Ask them to estimate how much time they lose or how much actual income they lose every year because of this

5. Debit card / online banking profiles

(15 minutes)

Template for this section is in Appendix D

Objectives

- To understand:
 - The respondents current usage of digital transactions (debit cards, credit cards, mobile money, bank transfer, cheques)
 - Their attitude to, and knowledge of these mechanisms
 - The potential for them to move to these mechanisms (and for what kind of transactions)

How to run the exercise

1. Lay out the template in front of the respondent
2. Explain the exercise to them
 - “The main aim of this exercise is to understand what you think of various digital transaction mechanisms and what your current experience has been. In case you haven’t used them, we will try and understand as to why you haven’t done so, and if you were to use it, for what kind of transactions will you do it”
3. Next ask them about their experience of using cheques
 - “Have you used cheques in the past, to receive or make any payments?”
 - If Yes:*
 - Why did you adopt this?
 - Do you see any benefits in using it?
 - What has your experience with it been?
 - Where all do you use them?
 - How often do you use them (frequency)?
 - When do you prefer using this to cash? **(probe why)**
 - When do you think it’s easier to use cash instead? **(probe why)**
 - If No:*
 - Do you know what these services are? **(probe what)**
 - Are you aware what all you can use this for? **(probe what)**
 - What are the key reasons for not using these services? **(probe why)**
 - If you were to use them, what kind of transactions do you think they will be beneficial for? **(probe why)**
4. Begin by probing about POS machines
 - “Do you accept payments through POS machines?”
 - If Yes:*
 - When and why did you adopt it? Probe on the trigger, ie, the key reason why they started accepting payments through cards (examples of triggers could be things like an advertisement that prompted them to get one, a bank agent convincing them, a need to make a particular transaction online, customers asking them etc. A trigger would be the event that prompted them to apply for the debit card *after* all the benefits of using one had been understood)
 - How many customers in a day use them (frequency)?
 - When do you think consumers prefer using this to cash? **(probe why)**
 - In a month, what percentage of customers use it?
 - Have you faced any technological challenges ever? (technological challenges could be: transactions failing, no network connectivity, bad user interface etc.)
 - When do you think it’s easier to use cash instead? **(probe why)**
 - How did you apply for the POS? Was it an easy process? Is there anything that would have made the process easier?
 - If No:*
 - Do you know what POS machines are? **(probe what)**

- What have you heard about POS machines? Are they beneficial, or not useful? Why or why not?
- Are you interested in getting a POS machine? Why or why not?
- What are the key reasons for not using POS machines? **(probe why)**
- What kinds of merchants do you think use POS machines?
- Do you know someone who uses it? If yes, what have you heard about their experience?

5. Next ask them about their experience of using mobile money

- “Do you accept payments through mobile money, services like airtel money, vodafone Mpesa, etc.?”

If Yes:

- When did you start accepting mobile money?
- How did you apply for a mobile money service? Was it an easy process? Is there anything that would have made the process easier?
- What are the key benefits you see in accepting mobile money?
- Why did you adopt mobile money? Again, probe on the trigger, ie, the key reason, for which they started accepting money through mobile money
- Would you recommend accepting money through mobile money to your friend/colleague?
- Why would you recommend/not recommend this use?
- What do consumers use mobile money for?
- How often do people use them (frequency)?
- In a month, what percentage of your income is from mobile money?
- When do people prefer using this to cash? **(probe why)**
- When do you think it’s easier to use cash instead? **(probe why)**

If No:

- Do you know what mobile money is?
- What are the key reasons for not accepting payments through mobile money? **(probe why)**
- What have you heard about mobile money? Is it beneficial, or not useful? Why or why not?
- Are you interested in signing up for a mobile money service? Why or why not?
- Do you know any other merchant who uses mobile money? If yes, what have you heard about their experience?
- Are you aware what all you can use this for? **(probe what)**
- If you were to use them, what kind of transactions do you think they will be beneficial for? **(probe why)**

6. Next ask them about their experience of using online/mobile bank transfers

- “Have you used bank transfers in the past, to receive or make any payments?”

If Yes:

- Why did you adopt this?
- Do you see any benefits in using it?
- What has your experience with it been?
- Where all do you use them?
- How often do you use them (frequency)?
- When do you prefer using this to cash? **(probe why)**
- When do you think it’s easier to use cash instead? **(probe why)**

If No:

- Do you know what these services are? **(probe what)**
- Are you aware what all you can use this for? **(probe what)**
- What are the key reasons for not using these services? **(probe why)**
- If you were to use them, what kind of transactions do you think they will be beneficial for? **(probe why)**

Cue cards and templates for this section are in Appendix E

Objectives

- To understand:
 - The potential for different value added services
 - Which services appeal more to merchants than the others

How to run the exercise

1. Lay out the template in front of the respondent
2. Explain the exercise to them
 - “As we mentioned before, we are trying to understand what services could be provided to you to ensure you start using digital payments. We will also aim to understand which one of them appeals to you more as compared to others, and which in itself would be enough of a reason for you to start using digital payments”
3. Begin by understanding the problems they face in their business currently
 - Credit management
 - Do you see any problems in taking loans?
 - If you were to take a loan, where would you take it from?
 - Do you think the bank will give you a loan?
 - Inventory management
 - How do you currently manage your inventory?
 - How much do you spend in a day doing this?
 - How do you remember what products are left and what need to be ordered?
 - Do you face any problems in doing this?
4. Next ask them their perceptions about:
 - Interest in providing banking services
 - If any bank offered you to make its agent, where you could open people’s bank accounts, accept deposits from them, and help transfer money for them, and you would get paid a commission for it, do you think you will do it?
 - Why or why not?
 - Do you see any benefits in doing this?
 - Do you think there will be any problems in doing this?
 - Do you think there will be consumer demand for it?
 - Interest in providing Ecommerce services
 - If any Ecommerce company like flipkart, amazon, jabong, etc. offered you to make its agent, where you could have a small screen and help people purchase products online, which will be delivered to your shop, and you will get paid a commission for it, do you think you will do it?
 - Why or why not?
 - Do you see any benefits in doing this?
 - Do you think there will be any problems in doing this?
 - Do you think there will be consumer demand for it?
5. Begin by asking them which services, in themselves, would be enough to push them to use digital payments
 - First, place the cue cards for ideas on the table and ask the respondent to first remove all those cards which they feel don’t excite them, prima facie
 - Provide a brief 15 second explanation for each of the use cases / service ideas after you've put down all the cards on the table
 - Then ask them to select the top 4-5 ideas which appeal them to the most (probe why’s)
 - Ask the respondents to air any concerns , and prompt for questions on the ideas that appeal to them

- Understand why they chose those service ideas and what barriers they face currently, which will be overcome by these services
- 6. Next ask them to prioritize
 - Ask the respondents to pick the top three ideas that appeal to them the most, and understand why they picked those ideas
 - Probe why they picked one idea over another

Appendix A: Interview Questionnaire**1. Background information**

Name of respondent	
Age	
Sex	
Date	
Location	
Interview type (Group or individual)	

	QUESTION	RESPONSE	
1.	What is your marital status? (single answer)		
		Single	Married
2.	How many family members do you have?	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 or more (specify: _____)	
3.	What is your highest level of education? (single answer)	<input type="checkbox"/> Illiterate <input type="checkbox"/> Literate without formal education (can read and write, but no formal education) <input type="checkbox"/> Below primary school (below class 4 th) <input type="checkbox"/> Primary (class 5 th) <input type="checkbox"/> Middle (class 6 th – 8 th) <input type="checkbox"/> Matriculation (8 th – 10 th) <input type="checkbox"/> Higher secondary (till the 12 th) <input type="checkbox"/> Technical diploma <input type="checkbox"/> Non-technical diploma <input type="checkbox"/> Graduate <input type="checkbox"/> Post Graduate and above <input type="checkbox"/> Other: _____	

2. Business-related questions

	QUESTION	RESPONSE
4.	What is your primary business, i.e. the business where you spend most of your time? (single answer)	<input type="checkbox"/> Kirana store <input type="checkbox"/> Restaurant <input type="checkbox"/> Clothing and footwear <input type="checkbox"/> Electronics <input type="checkbox"/> Mobile recharge shop

		<input type="checkbox"/> Barber <input type="checkbox"/> Chemist <input type="checkbox"/> General goods <input type="checkbox"/> Stationary <input type="checkbox"/> Other: _____
5.	Have you registered your business? (single answer)	<input type="checkbox"/> Yes <input type="checkbox"/> No Remarks: _____
6.	What is your average sales per day? (single answer)	<input type="checkbox"/> 0-2k <input type="checkbox"/> 2k-4k <input type="checkbox"/> 4k-6k <input type="checkbox"/> 6k-8k <input type="checkbox"/> 8k-10k <input type="checkbox"/> 10k-15k <input type="checkbox"/> 15k-20k <input type="checkbox"/> 20k-25k <input type="checkbox"/> 25k-30k <input type="checkbox"/> 30k-35k <input type="checkbox"/> 35k-40k <input type="checkbox"/> 40k+
7.	What is the average ticket size of your sales? (single answer)	<input type="checkbox"/> Rs. 0-200 <input type="checkbox"/> Rs. 200-400 <input type="checkbox"/> Rs. 400-600 <input type="checkbox"/> Rs. 600-800 <input type="checkbox"/> Rs. 800-1000 <input type="checkbox"/> Rs. 1000+
8.	How often do you receive your income? (single answer)	<input type="checkbox"/> Daily <input type="checkbox"/> Weekly <input type="checkbox"/> Monthly <input type="checkbox"/> Every 1-3 months <input type="checkbox"/> Every 3-6 months <input type="checkbox"/> Variable
9.	How long have you been operating your current store/shop? (single answer)	<input type="checkbox"/> 0-1 year <input type="checkbox"/> 1-2 years <input type="checkbox"/> 2-3 years <input type="checkbox"/> 3-4 years <input type="checkbox"/> 4-5 years <input type="checkbox"/> 5-6 years <input type="checkbox"/> 6-7 years <input type="checkbox"/> 7-8 years <input type="checkbox"/> 8-9 years <input type="checkbox"/> 9-10 years <input type="checkbox"/> 10 years+
10.	Do you own your shop or have you taken it on rent? (single answer)	<input type="checkbox"/> Owned (Personally) <input type="checkbox"/> Family owned <input type="checkbox"/> Rent <input type="checkbox"/> Other: _____

11.	On an average, how many customers visit you per day? (single answer)	<input type="checkbox"/> 0-10 <input type="checkbox"/> 10-20 <input type="checkbox"/> 20-30 <input type="checkbox"/> 30-40 <input type="checkbox"/> 40-50 <input type="checkbox"/> 50-60 <input type="checkbox"/> 60-70 <input type="checkbox"/> 70-80 <input type="checkbox"/> 80-90 <input type="checkbox"/> 90-100 <input type="checkbox"/> 100+
12.	What is the peak time for sales at your shop? (allow multiple answer)	<input type="checkbox"/> 7 am – 9am <input type="checkbox"/> 9 am – 11 am <input type="checkbox"/> 11 am – 1 pm <input type="checkbox"/> 1 pm – 3pm <input type="checkbox"/> 3 pm – 5 pm <input type="checkbox"/> 5 pm – 7 pm <input type="checkbox"/> 7 pm – 9 pm <input type="checkbox"/> After 9 pm
13.	What kind of suppliers to you buy things from? (allow multiple answer)	
14.	How frequently do you buy things from your suppliers? (single answer)	<input type="checkbox"/> Daily <input type="checkbox"/> Weekly <input type="checkbox"/> Monthly <input type="checkbox"/> Every 1-3 months <input type="checkbox"/> Every 3-6 months <input type="checkbox"/> Variable
15.	How many unique suppliers do you have? (single answer)	<input type="checkbox"/> 1-5 <input type="checkbox"/> 5-10 <input type="checkbox"/> 10-15 <input type="checkbox"/> 15+

3. Access to, and use of banking services

	QUESTION	RESPONSE
16.	Do you have a personal bank account? (single answer)	<input type="checkbox"/> Yes <input type="checkbox"/> No
<i>If Yes, Ask question 15</i> <i>If No, Skip to question 16</i>		
17.	How many personal bank accounts do you have? (single answer)	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 or more

18.	Do you have a separate bank account for work? (single answer)	<input type="checkbox"/> Yes <input type="checkbox"/> No		
<i>If Yes, Ask question 17 If No, Skip to question 18</i>				
19.	How many separate bank accounts do you have for work? (single answer)	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 or more		
20.	Does anyone else in your family have a bank account? (allow multiple answers)	<input type="checkbox"/> Yes (please specify: _____) <input type="checkbox"/> No		
21.	Which of the following payment methods do you use? (single answer)	Method	Pay	Receive
Debit card				
Credit card				
Bank transfer				
Cheque				
Mobile money				
22.	Do you pay any form of taxes for your business? (single answer)	<input type="checkbox"/> Yes (please specify: _____) <input type="checkbox"/> No		

Appendix B: Exercise templates and cue cards (income-storage-outflow)

Template:

Merchant research Inflow-Storage-Outflow	Name: Location:	Exercise template
Inflow	Store	Outflow

Cue cards:

Service	Business	Renting House
Renting Shops	Agricultural Land	Interest on Previous Savings
Pension		

Grocery	Electricity Bill	Water Bill
House Rent	Children Education	Medical Expenses
Shopping	Incidental Expenses (Marriage, Birthday Party)	Vacations

Entertainment	Other Household Expenses (like household help, sweeper)	Insurance Premium
Shopping	Festivals	Mobile Expenses
Fuel	Commuting	EMIs

In Bank	At Home	State Bank of India (SBI)
Punjab National Bank (PNB)	Syndicate Bank	Corporate Bank
Cheque	Cash	Debit Card

Credit Card	ATM	ATM cum Debit Card
Buy Collaterals		

Appendix C: Exercise templates and cue cards (cash handling problems)

Template:

<p>Merchant research Cash handling problems</p>	<p>Name: Location:</p>	<p>Exercise template</p>

Cue cards:

<p>Forget money at home</p>	<p>Don't have exact change</p>	<p>Money gets lost</p>
<p>Customers don't have exact change</p>	<p>Helpers can steal cash</p>	<p>Police officers come to take "Hafta"</p>
<p>Cash notes tears up</p>	<p>Fear of too much cash being stolen or lost</p>	<p>Fear of getting counterfeit money</p>

Counting becomes difficult in certain transactions

Have to rush to bank to deposit cash in case supplier asks for cheque

Past financial statements important for availing a bigger loan from bank

Takes time to go to ATM to withdraw money

Giving salaries to staff becomes a problem

Appendix D: Exercise template (debit card / banking profile)

Template:

Merchant research Cards, Mobile Money, & Online Banking	Name: Location:	Exercise template
Benefits		
	Frequency	

Appendix E: Exercise templates and cue cards (idea testing)

Template:

Merchant research Idea testing	Name: Location:	Exercise template
Value	Ability	

Cue cards:

Will adopt if large number of consumers ask me	Access to working capital	Tax incentives
Incentives on sales done digitally	Targeted consumer marketing activities	Automated payroll
Inventory management system	Account management services	