

MicroSave India Focus Note 37

Listening to Clients of Mobile Banking in India

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Background

There is a growing recognition that technology and mobile phone-based banking (m-banking) will play a key role in achieving financial inclusion – not least of all because of its easy implementation and widespread reach. However, there have been only a very few successful implementation of m-banking to date.

Much has been written on the customer value proposition of m-banking and how it can benefit clients¹. However, there is limited literature based on conversations with clients exploring what actually made them adopt mobile banking, how it has benefited them and what they want in addition to the existing services.

This note aims to provide some answers to these questions and is based on research conducted by *MicroSave* at [Eko India](#), one of the leading m-banking implementations in India. [State Bank of India](#) (SBI), the biggest public sector bank of India has appointed Eko as its Business Correspondent (BC) and is currently offering its No-Frills Savings Account (NFSA)² through Eko's m-banking platform and a network of retailers referred to as CSP (Customer Service Points).

The research focussed on understanding how Eko's services have impacted its clients' saving practices and their reasons for adopting this service in the first place.

Why They Adopted M-Banking/Eko?

Most of the early adopters of m-banking in urban areas are those who have previously had some banking experience. A majority of them have savings accounts in one or another of the public sector banks, either at their current place of residence or (in case of migrants) in their hometown; and they are also using them regularly. Despite having access to the formal banking sector these early adopters still choose to use their m-banking account over the traditional account for saving purposes. During the numerous interactions with these clients, they cited the following reasons for this preference:

Convenience

A single transaction of deposit or withdrawal at a traditional bank branch entails huge opportunity costs for the clients in terms of the business/wages lost during the time spent at the branch, and money spent on travelling to bank branches. Thus, it makes sense to visit

the branch only when the transaction size is expected to be large enough to warrant these costs. In contrast to this, the transaction size of m-banking clients is as low as Rs. 50. This can be attributed to the markedly less time required to travel to, and transact at, an m-banking agent. Hence, the clients save more frequently in their m-banking account than they used to save in their traditional bank account.

Trust in the Nearby Merchant and Bank

Initially, a majority of the clients decided to open the account at the insistence of the merchants that act as the m-banking agents³. These merchants are mobile airtime sellers, medical stores, grocery shops, etc. whom the clients visit very frequently and have known for considerable period of time. Thus, the clients tend to trust them to help with their banking transactions. Moreover, association with a big public sector bank like SBI also helps in building confidence among the clients.

Ease of Use

The literacy levels of the targeted un/under banked clients of m-banking are observed to be very low. While most of them can easily identify numbers, not all can read and write properly. To access financial services at a traditional bank they are required to fill in a multiple forms, usually with little or no help from the not-so-friendly bank staff. In comparison to this, most of the respondents were observed to be accustomed to using a mobile phone, and were finding the process of making financial transactions using mobile phone fairly simple. In case of technical difficulties they are always able to get support from their trusted m-banking agents.

Relaxed KYC Norms and Easy Documentation

Since a large portion of the targeted low income clients are migrants, they do not have the required documents to open bank accounts. The relaxed KYC norms for opening an m-banking account gives them an opportunity to start saving in a bank, a privilege they did not have earlier.

Has it Impacted the Way Clients Save?

Following table summarises the observations regarding changes in the saving practices of the respondents before and after they had the SBI Mini Savings Account at one of the Eko counters:

¹See for example *MicroSave* Briefing Notes # 47 "M-Banking: The Customer Value Proposition" and # 66 "POS v. Mobile Phone As A Channel for M-Banking" and *MicroSave* India Focus Note 4 "Electronic Banking: The Next Revolution in Financial Access?"

²NFSA has no minimum balance requirements and has low service charges. SBI does not offer cheque book, ATM, online banking and other such services on this account.

³See India Focus Note 38 "Listening to the Agents of Mobile Banking in India"

	Before Eko	After Eko
Place of saving	Intermittent saving at traditional bank branches - located far away from place of residence. Other small savings at work, chit funds, NBFCs etc.	Regular savings in SBI Mini Savings Account at Eko counter. Some also saving in traditional bank account, but less frequently than before.
Time taken to do transaction at bank	At least one and a half hour on an average, including travel time and time spent at the branch.	At most 10 to 15 minutes to make a transaction, including time taken to travel to nearest Eko counter and time spent at the counter.
Cost per transaction at bank	High cost of travelling to the bank branch, which is often located on average 5-7 kilometres away and high opportunity cost in terms of business or wages lost during the time spent at the branch.	Nil or very low cost of travelling to the nearest Eko counter which is typically located within 1 kilometre radius and nil or very low opportunity cost.
Amount of savings in bank	Due to the costs outlined above, the respondents could afford to deposit in their bank account only when they had a considerable amount of cash in hand – usually more than Rs.1,000. Respondents who did not have a bank account were saving very little at home.	Those with bank accounts earlier have started to save smaller amounts in their Eko account as and when they have extra cash (as low as Rs. 50). Those who were saving at home are now saving more frequently and in a more regular manner in their Eko accounts.
Frequency of saving in bank	Clients were visiting traditional bank branches not more than once a month. Thus, most of the times small amounts of extra cash in hand were not converted into savings.	Saving more frequently, as and when there is extra cash in hand. Thus, small amounts of extra cash are now converted into savings in their accounts.

Expectations from Eko/M-banking Service Provider

Presently Eko is in its pilot stage and is offering only the SBI Mini Savings account to its customers. However, Eko plans to offer more than just savings, and has recently started inter-city remittances between Delhi and Bihar. Most of the clients who are actively using the account, when interviewed said that they wanted additional services in addition to normal withdrawal and deposit facility being offered at present like:

Cheque Deposit Facility: The majority of respondents expressed the need to have a cheque deposit facility with their Eko account. Clients who already had another bank account said that they have to visit the bank especially to deposit cheques. Many clients without other bank accounts were receiving cheques for insurance and pension, but had no place to deposit these.

Remittances: It was observed that a large proportion of the low income clients are migrants and need to send money to their family regularly. Presently, they are sending money through informal channels like courier, family and friends, personal delivery⁴ etc. Even though Eko has launched its remittance facility, its outreach is currently limited to only two states.

Passbook or Account Statement: Some of the respondents wanted a physical passbook or account statement if needed. These were mostly clients who have used bank accounts before, and felt the need to receive some physical evidence of their Eko accounts.

ATMs: The timings of the CSPs are fixed and the clients said they would like to have an ATM so that they can withdraw at any time in case of any emergency and also at places where there are no m-banking agent outlets.

Name: Anil Kumar

Occupation: Cook

Location: Palam Village, Delhi, India

Eko Client Since: June 2009



Anil is a migrant from a small village near Badrinath in Uttarakhand. He works as a cook in a restaurant in Delhi. He has been living in Delhi for the last nine years, but still could not manage to open a bank account as he does not have the required documents and proof of identity. When he heard about Eko from one of his friends, he instantly opened an account at the nearest Eko counter. Now, every day on his way back from work Anil regularly deposits the amount that he receives as service tips from the restaurant where he works into his Eko/SBI account. Prior to opening this account he did not keep any record of the service tips he earned and they were usually frittered away on wasteful expenses. Now, he manages to save those small amounts and withdraws them to meet travel and other routine expenses.

Conclusion

M-banking services currently offered to the low income market in India do offer value to clients in terms of easy account opening procedures, easy deposit and withdrawal facilities, ability to deposit any amount any time etc. However, there remains significant scope for improving these services to encourage mass uptake and increased usage of the accounts offered. Diversifying the range of services offered would provide an improved value proposition for both customers, who could use m-banking for a wider range of uses, and for agents, who would then see a larger volume of transactions, and thus revenue.

⁴See India Focus Note 29 "Potential for E-/M-Banking Enabled Migrant Remittances"