

MicroSave

Market-led solutions for financial services

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Exploring Dormancy in No Frills Saving Accounts in Uttar Pradesh and Delhi

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INTRODUCTION

No Frills Accounts and ‘Financial Inclusion’

In 2005, the Reserve Bank of India (the central bank) advised banks¹ to make ‘No Frills Accounts’ ‘accessible to vast sections of [the] population’². No Frills Accounts (NFAs) are basic low-cost bank accounts for transacting and saving money, with no minimum balance requirements and no ledger fees. They are intended mainly for new customers who previously had no bank account.

The RBI’s circular is headed ‘**Financial Inclusion**’ and it is made clear that the NFAs are there to promote financial inclusion, defined by the Indian Government as: ‘...the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost’³

In India the state has long been concerned with improving the opportunities for poor people to use safe and affordable financial services, and NFAs can be seen as the latest government-promoted initiative with that objective. However, the language of ‘financial inclusion’ is new, and marks a convergence of Indian thinking with international trends. NFAs are India’s contribution to an array of new basic accounts launched in rich and poor countries alike.

Britain launched basic bank accounts in 2004 and official estimates by its ‘Financial Inclusion Taskforce’ claim that by 2008 the number of households without bank accounts had fallen from around 3 million to less than a million. France has a similar system. Among middle-income countries, Mexico has legislated to compel banks to offer entry-level bank accounts, Pakistan has had ‘basic banking accounts’ since 2006, and South Africa’s ‘Mzansi Account’, launched in 2004, had attracted 6 million account holders by 2008 – a large proportion of the country’s total population of 32 million⁴. In all these cases the language of ‘financial inclusion’ was used to promote these products.

‘Financial inclusion’ derives from ‘social inclusion’, which is opposed to ‘social exclusion’, meaning exclusion from full participation in society, a term that became common in the 1990s to describe the plight of marginalised groups in low-income housing estates round Paris, who had resorted to rioting. When New Labour took power in Britain in 1997 it adopted the term to describe a variety of social problems for which it proposed solutions, and the word ‘exclusion’ came to be used in contexts where we might previously have said ‘poverty’ or ‘marginalisation’. The New Labour government launched an enquiry to determine how it could best promote ‘social inclusion’. Concern about ‘digital inclusion’ – getting everyone hooked up to the internet – soon followed. Then in 2003, Britain’s financial inclusion taskforce was set up. The idea of ‘inclusion’, then, is both a contemporary way of analysing problems of poverty, deprivation and social isolation, and a political approach to their solution. Britain’s prominent role in international development was probably responsible for the adoption of the phrase ‘financial inclusion’ in international discussions, including in India.

¹ The note went to ‘Scheduled Commercial Banks’: this means most banks (the state-owned State Bank of India and its eight associates, the 19 nationalised banks, 45 foreign banks, 32 private sector banks, and the co-operative banks). The regional rural banks (RRBs) were excluded from this initial advice, but were included in subsequent financial inclusion policies.

² Reserve Bank of India, Circular on Financial Inclusion, November 2005

³ Recommendation of the Committee on Financial Inclusion, January 2008

⁴ See ‘The Mzansi Bank Account Initiative in South Africa: Final report’, Bankable Frontier Associates, (commissioned by the FinMark Trust), March 2009

Financial inclusion and microfinance

But without the success of the international microfinance industry, ‘financial inclusion’ might have remained a preoccupation of wealthy countries. Microfinance has ‘proved that the poor are bankable’ (in the words of Muhammad Yunus) by showing that financial services for poor people are both popular and profitable. Its profitability drew many new players into microfinance, and drew microfinance into the established financial systems of many developing countries. That includes India, where public and private banks finance microfinance organizations (MFOs), international capital has flowed in, and MFOs are beginning to tap capital markets directly by seeking admission to the Bombay stock market.

At the same time, microfinance has grown out of its initial focus on credit for micro-enterprises and, where legislation allows, is offering savings, insurance and remittance services. This brings microfinance ever closer to the vision of ‘financial inclusion’. For example, Britain’s taskforce had three goals set for it. It was to ensure that ‘everyone in Britain’ can:

1. manage their money on day-to-day basis, effectively, securely and confidently;
2. plan for the future and cope with financial pressure; and
3. deal effectively with financial distress, should unexpected events lead to serious financial difficulty⁵.

And here is what the authors of *Portfolios of the Poor*⁶, a recent book about the financial behaviour of poor households in Bangladesh, India, and South Africa, see as the three big challenges facing the poor as they seek to manage their money better, and facing the MFOs who hope to serve them better:

1. dealing with money-management on a day-to-day basis;
2. coping with emergencies; and
3. building usefully large sums of money (through loans or saving) to buy assets and pay for life-cycle events

As well as focusing on essentially the same three objectives, these two formulations stress the importance of the *availability of appropriate financial tools* rather than the *delivery of specific financial services* such as credit for micro-enterprises. It is increasingly recognised that anyone who handles money, no matter rich or poor, needs tools to handle it well. And that the poor, who earn so little, have a special need for good financial tools if they are to make sure that: there is food on the table every day (and not just when income comes in); that health problems are dealt with before they become life-threatening; that life-cycle events are provided for; emergencies abated; and assets can be afforded. Good financial tools help with all these tasks by making it possible to access past incomes (through savings) or future income (through loans) to satisfy expenditure needs that can’t be dealt with out of current income. To do this well, the tools must be easy to access frequently, close at hand, flexible, and reliable. The test of India’s No Frills Accounts will be the extent to which they achieve these characteristics.

The Face of Financial Inclusion in India: Business Correspondents and IT

The RBI ‘advised’ banks to offer NFAs. This falls short of the compulsory legislation seen in Mexico (and now in Britain⁷), but is stronger than in the South African case, where the Mzansi account was launched collaboratively by the larger private banks and the Postbank. In France, anyone refused an account by a bank is entitled to government help to find an alternative provider.

⁵ UK Financial Inclusion Taskforce, Action Plan for 2008-2011, available on the UK government’s HM Treasury website.

⁶ Collins, D., Morduch, Rutherford and Ruthven, “[Portfolios of the Poor](#)”, New Jersey, 2009, and New Delhi 2010

⁷ The 2010 budget makes it illegal for a bank to refuse a basic account for anyone who wants one. The government is scoring party political points by favouring the underdog ahead of national elections, and playing to international contempt for the banking industry after the financial melt-down of 2008-2009.

In practice, Indian banks have little choice than to accept the RBI's advice. But there are two other aspects of the Indian case which make it especially interesting: the **business correspondence** provisions for banks (RBI, January 2006) and the use of **information technology**. Both of these feature prominently in the National Rural Financial Inclusion Plan (NRFIP) proposed by the Committee on Financial Inclusion. The Committee recognised that simply extending the bank-branch network ever wider would still not bring a branch into every village, and looks to 'business correspondents' – individuals and entities licensed to act for banks – to deal with those last few crucial miles. Wherever possible, these agents should be linked by reliable technology to the banks they represent, via mobile phones or portable point-of-sale devices, for example. At the same time, a parallel effort to provide every Indian citizen with a biometrically-enabled identity card is in an advanced state of development.

Inevitably, then, in our study, we are reviewing the progress-to-date of the business correspondence model and the use of IT (in so far as they relate to NFAs), as well as the NFA itself. Our research sample includes various combinations, from bank-issued NFAs using neither business correspondents nor advanced IT, to combinations of all three.

These are exciting possibilities. An agent of a business correspondent, equipped with IT, should in theory be able to deliver an NFA holder exactly the kind of service we described in the previous section: a service that permits both savings and loans, accessible very frequently (preferably daily) at the customer's doorstep, with reliability and flexibility guaranteed by secure proof-of-identity and secure proof-of-transaction.

If this really does work in practice, the banks could find themselves competing, at last, with the microfinance organisations for a big share of the Indian market in financial services for the poor. Given that most Indian MFIs are still unable to offer anything but credit – and most do it through one simple group-based model inspired by the work of the big Bangladeshi MFIs – the banks might even push the MFIs onto the back foot by offering a nimbler service that includes savings as well as loans, offered on the doorstep on a daily basis without the need for groups or meetings.

Dormancy

Many basic bank accounts around the world lie dormant. In India some reports⁸ suggest extremely high levels of dormancy. What, then, does this mean for the prospects set out in the previous paragraph? Are NFAs, even when combined with the business correspondence system and with high-tech gadgetry, going to prove a failure? Or are the high dormancy rates merely teething troubles? Our research set out to find the answers.

⁸ Most notably **Kochhar**, Sameer, "[Speeding Financial Inclusion](#) ", Skoch Foundation, 2009.

SUMMARY AND CONCLUSIONS

The study team

This research was originated and carried out by *MicroSave* in the spring of 2010. The team of *MicroSave* researchers, led by Akhilesh Singh, included Amit Garg, Anjaneyulu, Krishna Thacker, Neetu Chhapolia, Sachin Bansal and Veena Yamini. They were assisted by Stuart Rutherford, an independent microfinance practitioner and writer.

The Research Questions

The object of the study was to discover the reasons for the reportedly very high rate of **dormancy in No Frills Accounts** (NFAs), a basic bank account offered by banks to comply with government **financial inclusion** policies. In earlier studies⁹ *MicroSave* looked at aspects of this question from the supply side, finding, for example, that the **business correspondence** model (of entities acting as agents for banks in order to reach remote and underserved populations), often used by banks to manage NFAs, was flawed by weak business prospects. A parallel study is looking further into supply-side issues. Some of these findings are summarised in the body of this report, but the focus of the present study is the **demand side**. It seeks to know why people open NFAs, how they use them and how well they like them, how well they understand them, and why so many of their accounts become dormant.

Background to the Research

Please see the **Introduction** for information on financial inclusion policies, NFAs and business correspondence policies. *MicroSave* has been working with a number of banks, business correspondents, and technology suppliers associated with NFAs since NFAs were launched in 2005, and is therefore well placed to follow up this work with a review of demand-side issues. Chief among these is the high rate of dormancies in NFAs.

Defining Dormancy

There is no standard definition of dormancy. In this study we give our findings on the period of account activity rather than offer yet another definition of dormancy.

The Research Methodology and Sampling Frame

We used interview techniques developed by *MicroSave* for use in microfinance research, including focus group discussion (FGD), product attribute ranking, personal interviews with bank and business correspondent staff and their customers and ex-customers, and telephone interviews with some who could not be otherwise reached.

We interviewed in five places in Uttar Pradesh and Delhi, with staff and customers of four banks (ICICI, Union, District Cooperative and Baroda Grameen), an MFO (Cashpor), an NGO (AWARD), a technology provider (FINO), and a mobile-banking initiative (Eko). These places and entities were chosen to provide us with a variety of NFA situations:

- Both where the NFA was provided and served directly by a bank with no business correspondent and where the bank worked through a business correspondent

⁹ See for example *MicroSave* India Focus Note 18 “[MFIs as Business Correspondents – To Be or Not to Be?](#)” and India Focus Note 24 “[Making Business Correspondence Work in India](#)” and India Focus Note 32 “[Making Business Correspondence Work - Crossing the Second ‘Break-Even’](#)” – all available on http://www.microsave.net/india_focus_notes

- Both where the NFAs were offered to the general public and where they were offered to rural workers receiving wages from the government's make-work scheme, the National Rural Employment Guarantee Act (NREGA)
- Both where account management was manual and where it was managed through IT equipment (portable point-of-sale devices and mobile phones)

Altogether 243 respondents were reached in 88 sessions.

The sample is not statistically representative of NFA account holders nationally, but is enough to provide reliable insights into our main research questions.

Profile of the Respondents

Three out of five were illiterate (though not necessarily unschooled) and almost two-thirds depend for their living on agricultural or other wage labour: these respondents constitute most of the NFA account holders we interviewed. There were an equal number of men and women. Almost three-quarters were of prime working age - between 26 and 45.

Findings: Reasons for Opening an NFA

NFA account holders or ex-account holders revealed in 69% of the sessions out of total sessions responded by them that they have opened their NFA in order to handle small savings. Some others opened their accounts because to do so was 'easy and cheap' or because they were encouraged to do so by someone else.

An important minority, in about 28% of the sessions, but virtually everyone in the specific research area, opened their accounts to receive payments under the government's provide-work scheme, the National Rural Employment Guarantee Act (NREGA).

Findings: Were the Reasons for Opening the NFA Fulfilled?

Almost half of the respondents said 'yes'. Of the remainder, most said that the NFA was in some way inconvenient (the bank too distant, for example). Some said they found the account did not offer the facilities that they had hoped for: cheque books and loans were the most frequently mentioned.

Findings: Was the NFA the First Bank Account Opened?

For almost two-thirds of account holders, the NFA was the first bank account they ever opened; however, more than half of the respondents said that there is someone in their family who already has a bank account.

Findings: Levels of Understanding

In almost 4 out of 5 sessions responded by NFA holders it came out that they have a basic understanding of the nature and workings of their account.

Findings: Frequency of Transactions in Active Accounts

Of the 142 account holders interviewed who are actively using their NFA, one in six said they transact daily and another one in four weekly. Altogether, 58% said they transacted at least once a month. Many of these were in areas served by business correspondent agents equipped with biometrically-enabled point-of-sales devices. A further one in five said they transacted whenever their NREGA wage was paid in.

Findings: Likes and Dislikes, and Ranking of Account Features by Importance

In about 6 out of every 10 sessions respondents rated their account easy to open and manage, cheap, and offering good service. In about half of the sessions they liked the proximity and the fact that they could transact in small amounts: this view, again, came mostly from those served on their doorstep by agents.

On the other hand 4 out of 10 sessions respondents found using their NFAs ‘inconvenient’ and in 27% of sessions they complained of poor service. Others had specific complaints: one in six sessions they disliked the lack of cheque-cashing or cheque-book facilities: these were mostly from a lower-middle income suburban area some of whom claim they had been told they would be able to encash cheques.

‘Product attribute ranking’ exercises among a limited number of respondents revealed that they rank the security of their deposits as most important, followed by the proximity of the service, the ability to save and withdraw small amounts, and the ease of withdrawal.

Findings: Age of the Account

About a third of respondents had opened their NFA between two and three years ago: another one in eight had an account that was even older. The remainder had accounts for less than two years, most of them for less than a year.

Findings: Inactive Accounts

Of all 202 NFA holders interviewed, four out of ten said their accounts were inactive. Of these, six out of ten said their accounts had been inactive for more than two years; and another 1 of 6 said for more than a year.

Findings: Why did the Accounts Become Inactive?

Among inactive account holders, more than one in five said that the reason had to do with poor or absent or distant services. Another one in seven lacked trust in the service provider, and another one in ten had lost their account documentation. There were some who gave no answer other than ‘personal reasons’. Very small numbers said that they had no interest in saving, or that they had no surpluses to save.

Commentary: Marked Differences Between the Research Areas

The figures given in these ‘findings’ need to be viewed in the light of marked differences between the research areas, each of which was characterised by a different combination of provider, business correspondent (BC), and technology.

The first area included a lower-middle income housing area on the outskirts of a large town, served by an NGO-run BC from offices some kilometres away, using smartcard technology. Many of these accounts are now inactive either because of the distance of the office from their homes, or because the services were too basic for these users (many wanted to be able to clear cheques or use their cards in ATMs or take loans, but are not able to do so).

The second area is rural and served by an MFO which acted as a BC in order to bring savings services to its group members. It adopted smart cards and portable point-of-sale machines. Unfortunately, it very quickly created many accounts while the technology still had teething trouble, after which it gave up on the idea, leaving many customers with cards but no service. However, the technology provider, acting as a BC, subsequently improved the performance of the machines and recruited local agents who go door-to-door in their villages. Many of the most active and enthusiastic account holders in the study are being served in this way.

The third and fourth area is again rural and is served by a bank directly, without sophisticated technology. The NFAs were opened to receive NREGA wage payments. These accounts are mainly active, though many are only used to receive and withdraw the wage, since many account holders don't trust the process and prefer to encash their payments as soon as possible. Some, however, are starting to use their accounts for personal saving. The bank is introducing smart cards on a pilot basis, and plans to pay state pensions and widows' allowances into NFAs.

The fifth area, urban, is served by a young mobile-phone-banking BC of a major bank. Most account holders made a deliberate choice to open their account (unlike the NREGA users in the third area, for example) and tend to have a good understanding of the system: for some banking on the phone is a style statement. Many accounts therefore remain active. Where there are inactive accounts it is because users have moved home, or because the account was opened on a whim, often at the suggestion of some third party, or because the user decided that the system is not to be trusted. Some also stop using the system because they want services not provided at present (ATM access and cheques) or because they find the network of agents is not yet wide enough.

Conclusions: Huge Potential, Yet to be Realised

Just opening a No Frills Account is not enough to become an active participant in the financial system. The NFA has to be a gateway to valued and usable services. Our interviews show that for many poorer customers this means services that are conveniently close at hand so that they can be used frequently, to mop up small amounts of saving (or repayments) and to make those savings (or loans) available for withdrawal whenever they are needed. Above all, the service must be reliable, both in the sense of delivering services accurately and in the sense of guaranteeing security of deposits and inspiring confidence in the user.

Our study found that NFA dormancy occurs where these features are absent, or where NFA account holders are not aware that the features exist. That is, dormancy results from services being too distant, too infrequent, or unreliable (or perceived as unreliable), or from poor explanation of the services to potential customers.

But we also found cases where these features *are* on offer, and where NFAs *are* being actively used. Usually, this was where business correspondents were able to take services close to the users and offer a reliable and rapid service through the use of sophisticated technology. We also found a case where a bank, operating NFAs without BC or technology, was able to offer a limited but still useful service, handling NREGA wage payments.

Moving to a situation where NFAs as gateways to useful services becomes the norm rather than the exception will require massive effort. But a start has been made. High levels of dormancy do not negate the idea of the NFA: on the contrary, they help us see what needs to be done to make NFAs truly inclusive.

Recommendations

NFAs can be improved, and dormancy rates reduced, if and when:

- Services are more fully and more honestly made known to potential users
- Targeting is improved so that NFAs are offered to those who will find them most valuable (the poor) rather than to those that banks already perceive as potentially bankable (the not-so-poor)
- NFA account opening is not seen as an end in itself but as the prerequisite for the delivery of reliable and useful services
- Ways are found to reach customers, frequently, close to their homes or workplaces: BCs and IT devices have a big role to play in this respect
- A fuller range of services is available to NFA holders, especially credit, but also remittances and cheque-clearing

BACKGROUND AND MARKET RESEARCH PROCESS

The Reserve Bank of India (RBI) and the Ministry of Finance, among others, have been working towards providing the right environment to facilitate financial inclusion by the commercial banks. Banks, however, are finding it difficult to scale up the necessary systems to get large numbers of customers enrolled. Even four years after the first RBI circular in November 2005¹⁰, financial inclusion remains a distant dream and the idea of providing basic bank accounts ('no frills' accounts) to the low income segments, through bank branches and business correspondents (BC) has not led to a very substantial change.

There are various estimates about the number of people who now hold a 'no frills' bank account¹¹, but what is most worrisome are the reports that most of these accounts are not being used by the customers¹². Therefore the question is whether it is enough to open an account for a previously un-banked customer to be considered 'financially included', or whether something more needs to be done? Most agree that this is not financial inclusion and that the person should actively be using the services made available through the bank branches and the BC channels. The next big question is, why are these accounts not being used by the customers and thus what can and should be done to ensure that these customers become actively involved in the financial system.

MicroSave has been working closely with a number of banks, BCs and technology providers since the inception of the concept of financial inclusion through no frills accounts. *MicroSave* has published several research papers (India Focus Notes and Briefing Notes)¹³ on the operational, strategic and financial challenges involved. In brief, *MicroSave* has been a keen observer of the developments in this space and has a deep understanding of the model and the progress made by various stakeholders.

Looking at the mix of opinions on these questions, especially among the institutions involved in service delivery (banks, BC entities, agents and technology providers), *MicroSave* decided to conduct research to understand the factors that keep customers away from actively using their "no-frills" accounts. Is it technology which is a crucial factor, or is it physical proximity of the bank/BC branch, personal relations or trust on the BC agent/ bank, logistics, lack of awareness, miscommunication by banks or BC agents, sub-optimal involvement of the banks in encouraging the customers, viability concerns of the banks/ BC entities/ agents/ technology provider or just plain and simple lethargy of the customers?

The present research is the outcome of our attempt to understand the customers' perspective about "no frills" accounts and to explore the reasons for dormancy in these accounts.

¹⁰ RBI/2005-06/204 DBOD. No. Leg. BC. 44/09.07.005/2005-06 dated November 11, 2005

¹¹ The most widely accepted figure is the one given by RBI, which says that 59% of adult population holds an account.

¹² BC report that more than 80% of the saving account opened by clients are inactive – Retreat report by College of Agricultural Banking (CAB) and ACCESS, May 2009

¹³ <http://www.microsave.net/content/technical-briefs>, *MicroSave* India Focus Notes [4](#), [6](#), [18](#), [24](#) and [32](#); *MicroSave* Briefing Notes [3](#), [6](#), [7](#), [12](#), [69](#), [73](#) and [76](#)

This section outlines the background of the research work and the process adopted by *MicroSave* team in conducting the research .

Market Research Process

Training and Preparation: 2nd March, 2010

- Planning, design and tailoring of tools needed
- Training the team on *MicroSave*'s Participatory Rapid Appraisal (PRA) methods

Market Research: through March, 2010

- Visit to five organisations
- Participatory Group Discussions with end clients
- Individual Interviews with Bank staff, agents

Analysis and Consolidation

Consolidation and analysis of data was done during the weeks of 15th-19th Mar, 2010 and during the weeks of 5th-9th April, 2010

No Frills Savings Account

To achieve greater financial inclusion, the RBI, in its Annual Policy Statement of April 2005, recognised those banking practices that tend to exclude rather than attract vast sections of population, and advised all banks to make available a basic banking 'no-frills' account either with 'nil' or very low minimum balances as well as charges that would make such accounts accessible to vast sections of population. The nature and number of transactions in such accounts could be restricted, but made known to the customer in advance in a transparent manner. All banks are advised to give wide publicity to the facility of such 'no-frills' account including in the local media indicating the facilities and charges in a transparent manner.

Refer to [Annexure I](#) for more detail on the regulations and guidelines for no frills accounts.

Objectives

The objective of this research is to understand the reasons for widespread dormancy in No Frills Savings Accounts opened through various service providers like Public and Private Sector Banks, RRBs and Business Correspondents. This objective was broken down into five specific issues:

1. To know why people open No-Frills Accounts (NFA) and whether their objectives are fulfilled
2. To understand the frequency of use of such accounts and the reasons for the frequency
3. To estimate people's understanding of NFA
4. To understand what clients like or dislike about NFA and what suggestions they have for its improvement
5. To understand the inhibiting factors in using the account and, hence, the reasons for dormancy



DEFINING DORMANCY

As per **RBI** circular no. RBI/2009-10/202 DBOD.Leg. No.BC. 55 /09.07.005 /2009-10¹⁴, savings and current account should be treated as inoperative / dormant if there are no transactions in the account for a period over two years. Further, in terms of Paragraph 24.2 (vi), for the purpose of classifying an account as inoperative, both types of transactions i.e., debit as well as credit transactions, induced at the instance of customers as well as by third parties should be considered.

Different banks have devised their own ways of classifying accounts as dormant. For example, **ICICI bank**¹⁵ classifies an account as 'Inactive' if there are no customer-induced transactions for 15 months in the account and 'Dormant' if there are no customer-induced transactions for 18 months in the account. A customer-induced transaction is any credit or debit transaction made by a customer in his account through cheque, cash or cheque deposit, withdrawal or deposit through ATM, transaction through the internet, or transaction by standing instruction, ECS and EFT.

As per the **State Bank of India**, an account in which there has been no transaction for one year is considered inactive and an account in which there has been no transaction for three years is considered dormant.

As per the **Union Bank of India**, in the interest of the depositor and the Bank, accounts which are not operated for a considerable period of time will be held separately by the Bank as a precautionary measure. Any withdrawal from this account will require the permission of senior bank officials.

Bank of Baroda does not give a period of in-operation after which the account would be considered as dormant. It says: "We will tell you when you open your account, what period of in-operation of the account would render your account being classified as dormant / inoperative account. You will also be informed three months before your account is classified as dormant / inoperative or treated as unclaimed account and the consequences thereof."

HSBC classifies accounts as 'Inactive'¹⁶ if there is no withdrawal transaction in the account, e.g. withdrawal of cash at a branch/ATM, payment by cheque, transfer of funds through Internet Banking / Phone Banking / HSBC India ATMs etc., for a period of one year or more. System generated debits (like charges, debit interest etc) are not considered as 'withdrawals' for classifying an account as active or inactive.

As per **HDFC Bank**, Savings and Current accounts not operated for a continuous period of more than 2 years by customer (excludes system generated transactions like credit interest/debit interest) will be treated as dormant¹⁷ in the interest of the depositor as well as the Bank. The depositor can request the bank to activate the account for operating it.

Definition for dormancy for the research:

Rather than offer yet another definition of dormancy, in this research we discuss our findings on the length of time accounts have remained inactive. An account is considered inactive if there is no debit/credit transaction in the account for any given period. Credit of interest or debit of bank charges are not considered as transactions.

We use periods of 3 and 6 months in our analysis. These conservatively short periods allow us to gauge inactivity soon after account opening.

¹⁴ <http://www.rbi.org.in/commonman/English/Scripts/Notification.aspx?Id=694>

¹⁵ <http://www.icicibank.com/Personal-Banking/account-deposit/savings-account/terms-conditions.html#tc8>

¹⁶ <http://www.hsbc.co.in/1/2/personal/bank-accounts/no-frills-savings-account/frequently-asked-questions>

¹⁷ http://www.hdfcbank.com/aboutus/citizens_charter/Dormant_Accounts.htm

SAMPLING STRATEGY

An effort was made to study the NFA product offered by various types of institutions including Banks, Regional Rural Banks, Microfinance Institutions and Business Correspondents. Study areas (Kanpur, Varanasi, Mirzapur, Rai Bareli and Delhi) were selected based on where such organisations operate.

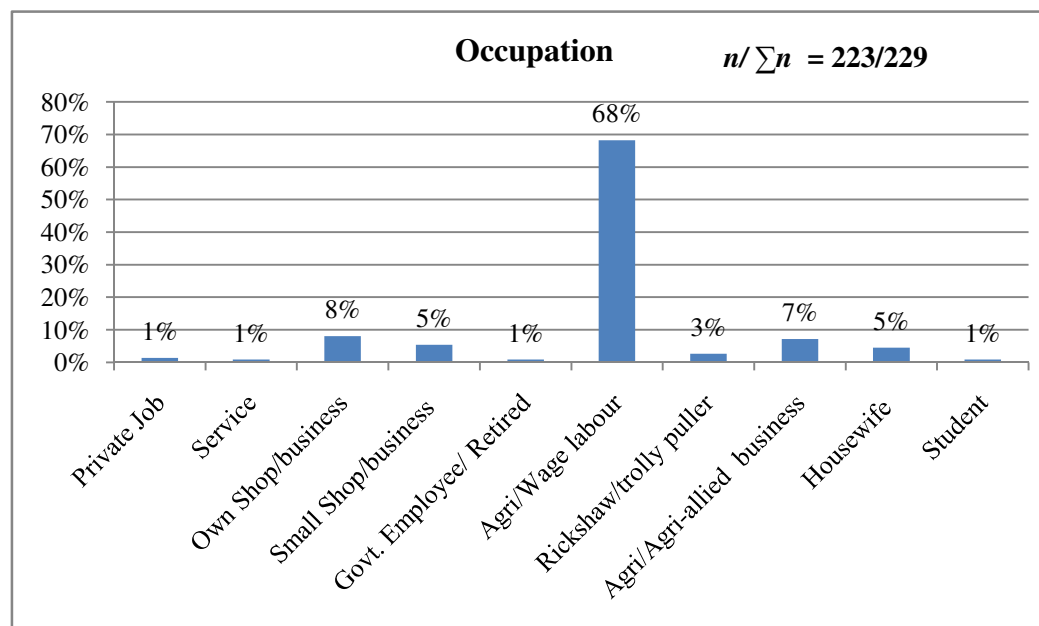
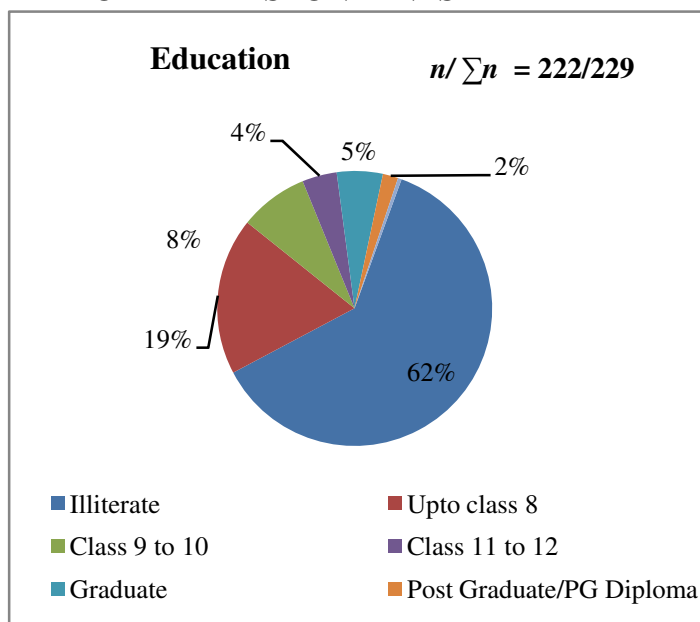
Place	Organisations Visited
Kanpur	ICICI Bank BC: Action for Women and Rural Development (AWARD)
Varanasi, Mirzapur	Union Bank Of India, Cashpor, FINO
Rai Bareli	Baroda UP Grameen Bank
Delhi	Eko



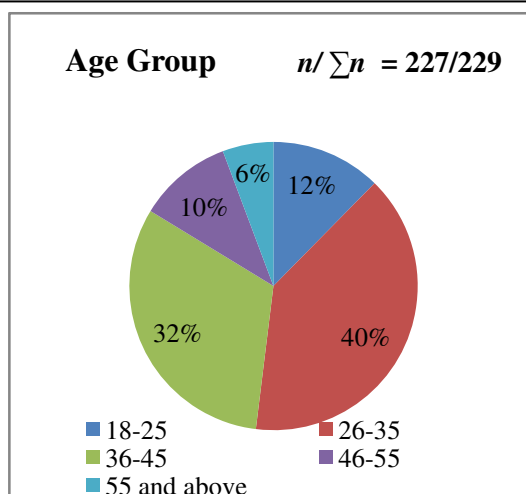
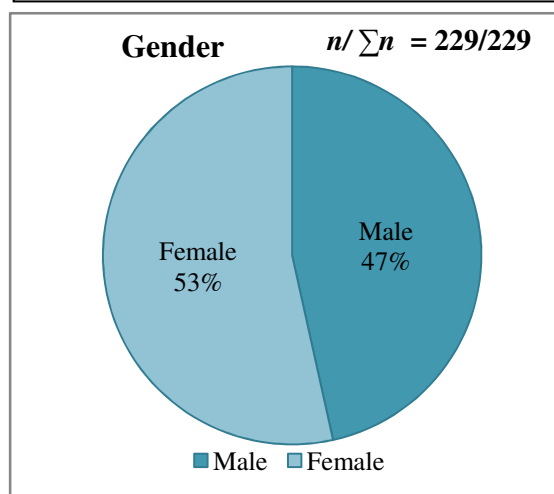
Tools Used:

Tool Used	No. of Sessions	No. of Respondents	Purpose of Tool
Focus Group Discussion	21	155	Focus group discussions (guide attached as Annexure II) were held with the customers and staff/agents to understand their views on the reasons for dormancy of NFA
Product Attribute Ranking	6	27	Product Attribute Ranking lists and ranks by importance the key attributes of a product as seen by those who use it, and captures the reasons for these opinions.
Personal Interview/ Discussions with Staff	14	14	To understand how the staff of these organisations perceive NFA
In-depth interviews with account holders	36	36	Detailed interviews were conducted with account holders to get a better understanding of their understanding and use of their NFA
Telephone Interview	11	11	Telephone interviews were conducted with clients who could not be approached physically
Total	88	243	

PROFILE OF THE RESPONDENTS



n - no. of respondent responded the question and $\sum n$ - no of respondent we have asked the question

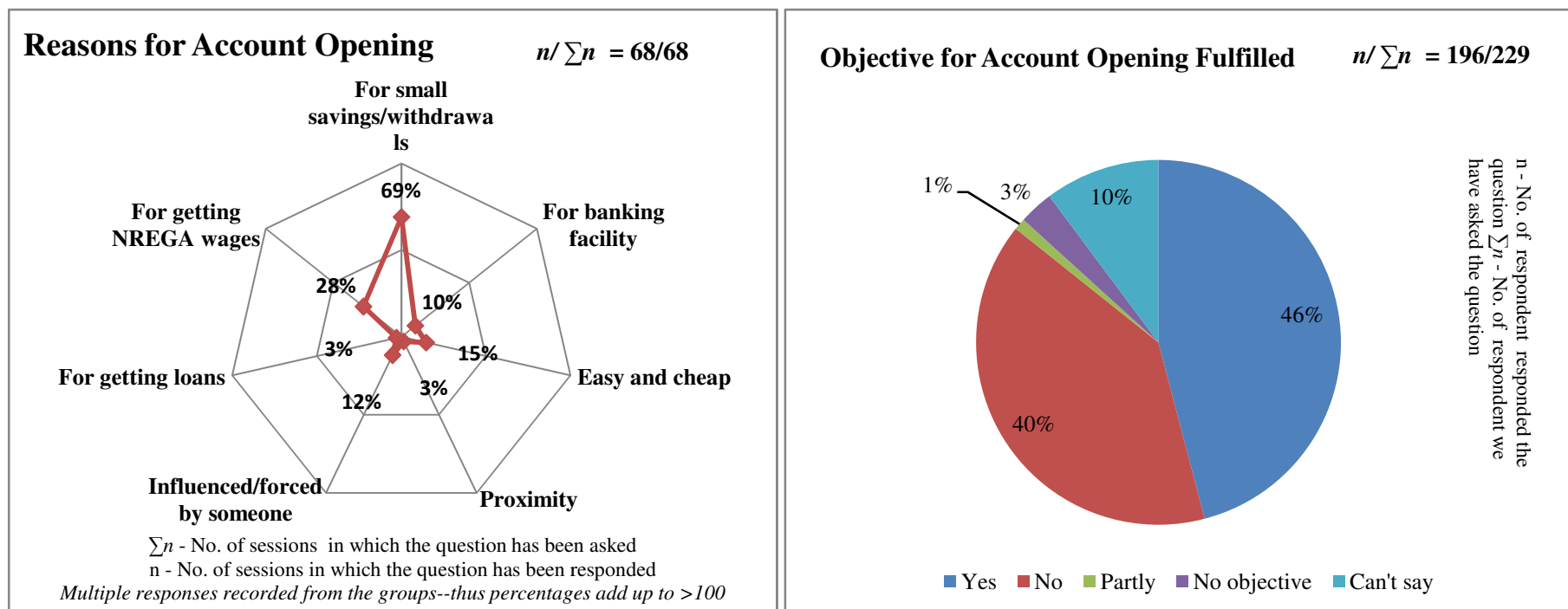


There was a balanced mix of male and female customers in the sample covered during the research. Most of them were in their early phase of life and were 26-45 years of age and were involved in agricultural and wage labour.

Many wage labourers had opened their NFA to have their NREGA wages credited to their account. People doing jobs were mainly in urban areas.

A majority of the customers visited in rural areas were illiterate, though quite a good number had attended primary and middle level of schooling.

REASONS FOR OPENING NFA



While exploring why clients opened such accounts and whether the objective behind opening the account was met, it came out in majority, almost 69%, of the sessions that clients had opened the account so that they could make small savings and withdraw, as and when the need arose. Detailed reasons that motivated clients for account opening are explained in detail on next page.

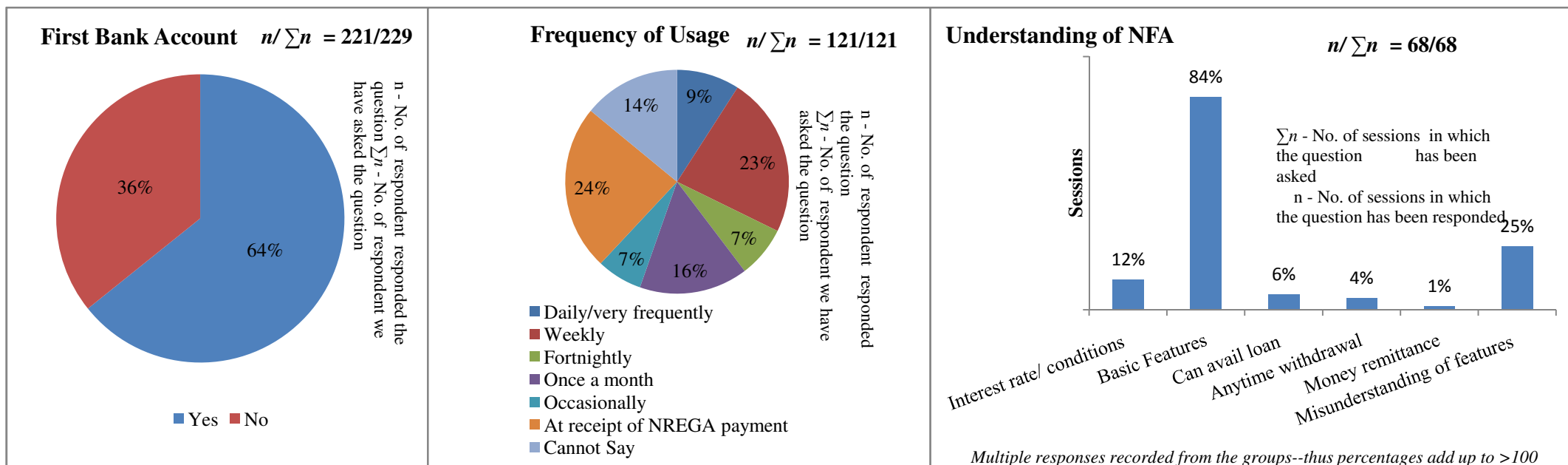
Even though a majority of the clients interviewed said their objective was met, 40% of the clients said that it was not met. There were various reasons behind this: the majority of the people suggested that it was not viable for them to visit the bank branch physically to deposit their everyday savings or banks lacks sufficient service and better treatment with the customers. Reasons for dormancy are discussed in detail later.

MOTIVATION OF PEOPLE BEHIND OPENING NFA

- **Good savings facility** – NFA accounts are considered safe, can be availed at low cost and in certain cases like BC agents, the facilities are available very near the clients' place. Small sums can be deposited frequently and withdrawn as soon as a useful amount, usually quite modest, accumulates.
- **Free bank account** – Earlier people used to think that bank accounts are only for those who have some money, both for opening the account and to leave some balance in their account. But now they are happy that they can open their own bank accounts for free.
- **Zero balance** – People are willing to open the account as they need not maintain any balance in their account. Also, they will not be charged anything if their account balance becomes zero.
- **No need to carry cash** - In case of Eko where the NFA is provided through mobiles (m-banking model), customers need not carry cash in their pocket. They can deposit money at one agent and withdraw from another. Thus, they can use it for shopping, etc and only need to carry their mobile phones. People are ready to open such an NFA as they can use it as a wallet. They can keep money in it as and when they have some surplus, and withdraw as per their need.
- **Benefits of government schemes** – People can get their NREGA wages, scholarship money and pension credited to this account.
- **Photo ID** - Some people opened the account as they were attracted by the beautiful smart card (e.g. those issued by FINO) which will have their photograph with their address.
- **Role of opinion leaders** – Opinion leaders are found to be playing an important role in encouraging people to open accounts and also to maintain some balance in it. For example, in Kanpur it was observed that one Mr. Shukla (owner of a photocopying and stationery shop) is influencing dozens of people to open accounts. Influence of neighbours was observed in Kanpur, Varanasi/Chandauli and Mirzapur (where people were ready to open the account even though they had to pay Rs.200).
- **Influence of NGOs/MFIs and banks** - Promoting institutions encourage their members to open accounts and because of their existing relationship, members are influenced to open the accounts (Cashpor microcredit clients opened the account because they were influenced by Cashpor officials). Banks also organise account opening camps where many people open their accounts.
- **To get facilities like ATM card, cheque book, remittance** – Some people opened bank account to avail services like ATM and cheque and were disappointed with what they got, especially in the case of the ICICI business correspondent clients in Kanpur.
- **Interest earnings:** Expectation that they will earn higher interest rate than banks.
- **Less documentation** – Unlike regular bank accounts, minimum KYC norm is required to open an NFA account, making it easier for the rural, slum dwellers and migrants to open such accounts.



EXPERIENCE WITH NFA



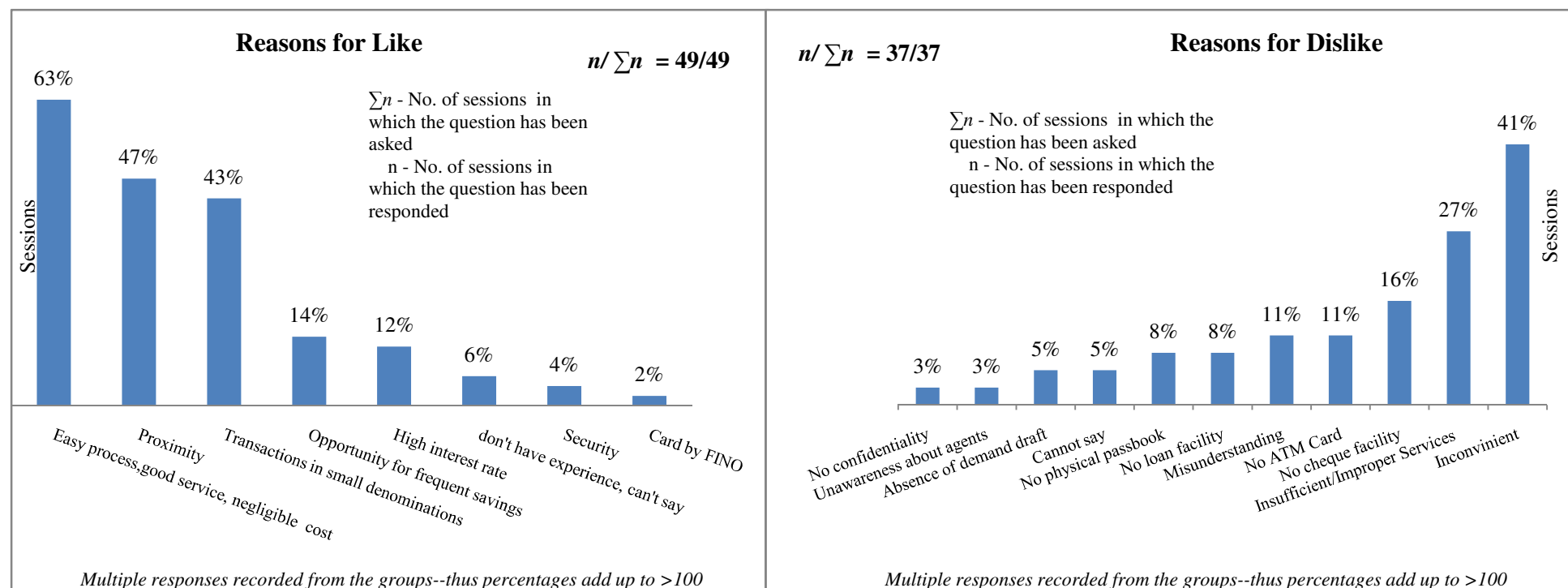
For 64% of the respondents, it was their first experience with bank account. About a fifth of the respondents said they use the account whenever their NREGA wages are credited to their account. Also, many are able to transact on a daily or weekly basis. Such frequent usage of account is in areas where agents operate and provide deposit and withdrawal facilities at the doorstep. In Varanasi the agent network operated by FINO was quite active.

“Jab Pradhanji ka paisa aata hai, tabhi jakar nikal lete hain”, (Whenever Pradhan’s money comes, we go for withdrawal)

In about 84% of the sessions respondents understand the basic features of the NFA account such as saving account, zero balance and limit on transactions amount and frequency. But it was also found that many people, in 25% of the sessions, have not understood the features of their accounts correctly. It may be due to improper communication from the provider or its agent or due to misunderstanding by the clients.

“Pradhan ji ne bataya, isliye khulwa liya” (Pradhan told us, that is why we have opened the account)

“Khate mein 200 to rakhna hi padta hai, kahin khata mar na jaye” (We have to maintain Rs.200 in our account, otherwise it will be closed)

REASONS FOR LIKE/ DISLIKE

The respondents were questioned about their likes and dislikes of the NFA. This was done so that, if possible, efforts can be made to improve the product so that people can start using it on a regular and continuous basis.

In about 63% of the sessions respondent appreciated the easy account opening and transaction process, followed by proximity of the transaction point and opportunity for small transactions. On the other hand respondents also complained about –

- Inconvenience in accessing the services like distant servicing branch/BC's locations, long queues in the bank, and technology failures it came out in about 41% of the sessions
- Insufficient and improper service like improper branch staff behavior, ignorance by BC, lack of loan facility came out in 27% of the sessions and absence of cheque book facility, ATM card and insufficient BC network came out as a concern from the respondent

“Agent ghar par aa jate hai jisse thoda thoda bachat ho jata hai”(Since agents visit our place, we are able to make small savings)

“Khata khulwane mein bahut daudna nahi pada”(We did not have to make much effort to open accounts)

SUPPLY SIDE CHALLENGES

In the initial period after the RBI announcement allowing banks to appoint BCs for servicing savings account customer from BC outlets, the banks looked at it as a great opportunity to get more customers into their fold by rationalising costs. Prior to that, customers could not operate their accounts outside the branches (except for cash withdrawal and deposit at ATMs, or certain transactions via internet banking). By allowing the appointment of BCs, RBI provided an opportunity to the banks¹⁸ to (a) acquire customers using agent channel, and (b) to offer (limited) cash deposit and withdrawal at places outside the bank premises.

The arrangement meant that banks could acquire and service low income customers at a lower cost than is incurred on doing the same through its own branches. At the same time, banks would have access to low cost funds (deposits in savings accounts are considered to be one of the cheapest source of funds for banks). More aggressive banks saw this as an opportunity to cross sell other products to the target customer segment and push other related products like recurring deposits, agricultural and other low ticket loans.

The Union Government¹⁹ and RBI considered that they were providing an alternative channel to the banks to explore and make best use of, that would ultimately lead to the bigger goal of complete financial inclusion²⁰.

Technology companies viewed this as an opportunity to cash in on the wave of euphoria for the new concept and started tying up with banks and developing innovative methods of transaction by a customer in his/her account. These were based on various technologies like mobile phones²¹, smart cards^{22&23}, biometric cards or combination of these. Overall, all the stakeholders were very enthusiastic and almost sure about the success of the concept.

In a short time, Banks found that the cost of customer acquisition and also of transaction was not as low as they had expected. BC agents had to be adequately remunerated for the services they were rendering on behalf of the banks.²⁴ Additionally the initial volumes of customer acquisition and transactions were so low that it did not justify the costs being incurred by the banks (in terms of commission payout).

BC entities and agent outlets found the new line of business un-remunerative compared to their existing lines of businesses (most of the agents were chemists, retail shopkeepers selling groceries, airtime resellers or in similar businesses). They started losing interest and most of them became passive players - entertaining those customers, who came for transactions, but not asking potential customers to enrol or sharing information on any new products launched. Banks that were counting on the relations and reach of the retailers received a setback. In addition, there were more complex issues that were important from the operations point of view and if not resolved, they had the potential of jeopardising the whole concept. Many customers enrolled for account opening were (by definition) those who had never previously done banking transactions. Educating them on benefits of the system, modes of transaction, services on offer and so on, was a costly and time-consuming task. Banks and BC entities and agents did their bit on this respect, but probably it required more efforts²⁵. Technology related teething problems which were natural

¹⁸ Reserve Bank circular DBOD.No.BL.BC.58/22.01.001/2005-06 dated January 25, 2006

¹⁹ Hon'ble Finance Minister's budget speech 2005-2006

²⁰ RBI Press Release 2009-2010/ 278, dated 19 August 2009

²¹ <http://www.eko.co.in>

²² <http://www.fino.co.in/aboutus.aspx>

²³ <http://www.alw.com>

²⁴ Report of the working group (constituted by RBI) to review the business correspondent model, dated August 2009

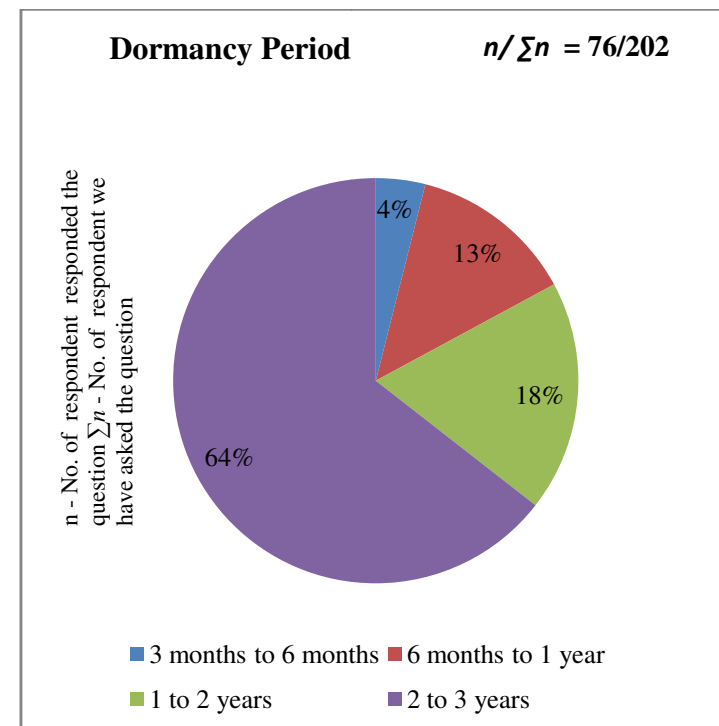
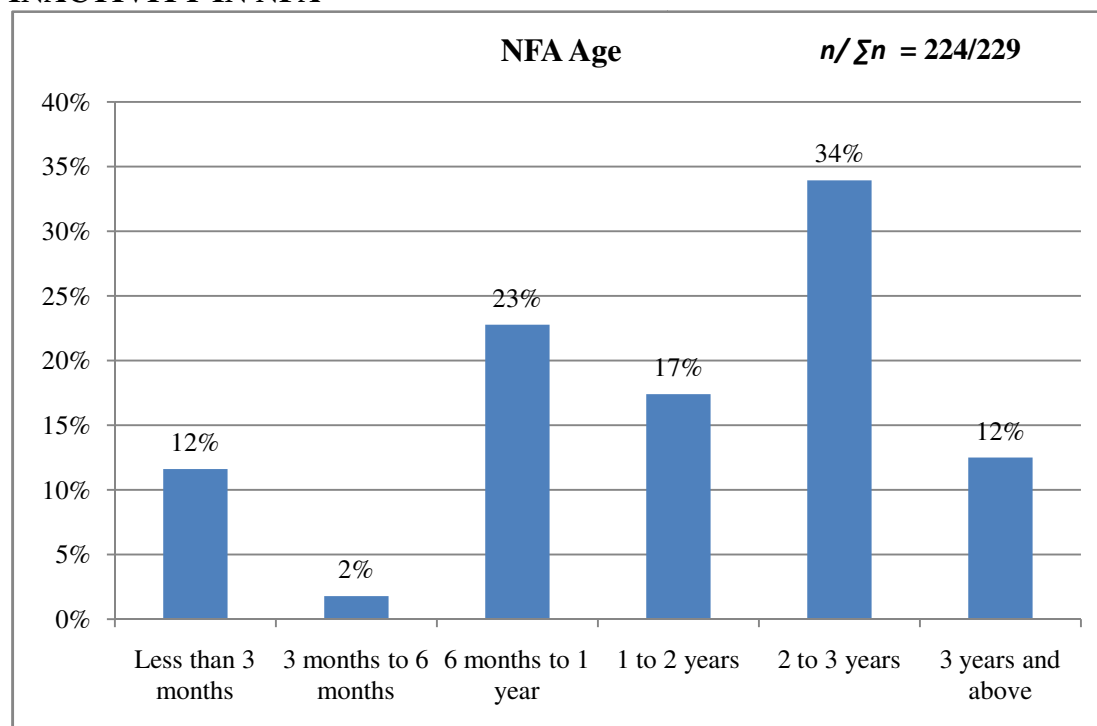
²⁵ Matthews, Brett Hudson. "[Making Business Correspondence Work - Crossing the Second 'Break-Even'](#)". *MicroSave India Focus Note 32*, January 2010

and expected, had a negative impact on the user of services. Word of mouth spreads faster about things that do not happen than the things that do happen, and so was it about BC services as well. By the time technology providers came up with improved and more robust means of servicing the customers, a majority of the customers had already lost interest and made up their mind against the model.



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INACTIVITY IN NFA



Majority of respondents' accounts are 1-3 years old and in terms of usage of account, most of them have not used their account since opening. They were either over-promised at the time of account opening, or opened their account during mass account opening campaigns. There was no cost in account opening and account holders were offered a nice card with their photographs (for example in the case of FINO): this attracted many of the respondents to open their account. In case of ICICI bank BC model, respondents perceived this as the main ICICI bank account and they thought they will get similar facilities as regular ICICI bank accounts. In case of UBI-FINO model accounts were opened in mass even in remote area but agents are not working in all the operational areas. Detailed reasons for inactivity are explained in next section.

“Humein pata hi nahi is card ka kya karen” (I don't know what to do with this card)

“Agent to humare gaon mein aata hi nahi hai, ab 20 rupaiya jama karne kaun jaye itni door” (The agent does not come to our village and we cannot travel so long to deposit Rs.20)

“Khata to achchha hai, par kuch bachta hi nahi, ky jama karen” (Account is good but we don't have surplus to deposit)

REASONS OF INACTIVITY IN NFA

Supply Side

- a. **Overhasty recruitment of clients** – It was observed that many clients had their accounts opened *en masse* through recruitment camps and not much effort was paid towards educating them about the account and its usage. In many such cases, clients have simply taken the cards but are not using them. In some places, such as the area served by CASHPOR, treating clients as a group rather than as individuals created problems. This led to opening NFAs for people who did not want them or would never use them. Many accounts were opened during account opening drives by MFI/Bank staff just to achieve account opening targets and little information or communication of the features and use of the account has been shared with the clients.
- b. **Failure to follow up by the service providers** - Once the accounts are opened in bulk, little or no follow up has been done by the providers as seen in the case of CASHPOR group members. Despite best effort some MFIs and BC agents have discontinued their partnerships with banks/technology companies because of co-ordination or technology issues, for example CASHPOR with Union Bank, with the result that the majority of CASHPOR clients are not using the account. CASHPOR did its best effort to make the BC model successful. But because of teething problem of the technology together with lack of coordination with technology company things can not be turn out in every once favour.
- c. **Technical teething problems** - The first round of FINO-enabled cards suffered from technical difficulties resulting in cards failing to be issued, or being delayed, or being blocked, or failing to convince clients that their security was protected. As a result, some clients simply never used the cards or gave up using them quite quickly.
- d. **Overselling** - In some cases, clients were over promised about the features of the account before opening the accounts. This raised expectation levels and they stopped operating the account when the promises were not fulfilled. Because of these over promises, customers perceived it to be a “banking account” with all facilities available like cheque clearing, account to account money transfer, withdrawal from ATM/Debit card etc. When they did not get such banking facilities, their accounts became dormant. For example, in ICICI bank’s case, some clients were told (or hinted) that they would be able to clear cheques through these accounts. When this failed to materialise, clients stopped using their accounts.
- e. **Wrong targeting** - In the ICICI case, recruitment was concentrated in lower-middle-class and middle-class segments a few kilometres from the sub branch: many people in those areas wanted a more sophisticated kind of account than an NFA, and therefore prefer to continue with their existing regular savings accounts at other bank branches. Had ICICI focused more carefully on poorer populations physically closer to the sub branch they may have had more success.
- f. **Weak Agent network/ Doorstep service** - The push factor is a very important determinant of the usage or dormancy of accounts. For example, if the agent is very active and goes to the doorstep of the clients there is active participation of the clients. BC Agent networks are not available in many areas to provide services to the account holders, and customers are not very willing to travel up to the bank branch.
- g. **Service related issues** - Clients in some instances stopped saving because of issues like not being allowed to withdraw at a given time because of non-availability of cash with agents or technology issues.

h. Limited working hours - In BUPGB, NREGA NFA account holders are entertained in branch only two days a week. On rest of the days, they are not allowed to transact.

Demand side

a. Fear of abuse - For example, with the NREGA-related accounts, many clients withdraw their work payments in full as soon as the money is credited in the account, for the fear that the account may be tampered with by local authorities. Also, they have a perception that NREGA account is meant for the poor, so if they save more and government notices this, the government might not consider them for pension, NREGA or scholarship payments. Also, clients fear that these accounts might get withdrawn when the government or government policies would change – which might happen anytime.

b. Less monetised economy/No money to save - Some clients are occupied in direct farming and agriculture, and many such farmers take credit, purchase and sell, and then save at farmers' cooperatives. Agricultural labourers who at times get paid in grains also save in grains. So such clients would not have regular cash flows to save regularly. Also, many households struggle hard to make both ends meet, and may feel they hardly have any money to save.

c. Less interest - Some clients dropout or become dormant because very low interest rates are paid on such accounts.

d. Lack of awareness - Some customers do not know enough about the features of products and service, and are left unable to use the facilities. In some cases customer told that there is no interest offered on NFA that's why they discontinue using NFA. Many NREGA clients have opened a normal bank account instead of NFA as they were told that penalties will be charged if balance in NREGA account falls below a certain level.

e. Distance of the bank - The cost incurred by the clients in travelling to the bank is quite high in proportion to the amount they can deposit. Also, it is found easier to save a small amount on a daily basis rather than a lump sum once a week/month. So, they prefer to keep liquid money at home instead of going to deposit in the bank, as in the latter case, they will also have to go frequently to withdraw money for household expenses. This was observed where banks require clients to transact in their branches and are operating without using any technology like Point of Sale device or mobile phone. This is particularly common in case of NREGA accounts.

f. Tedious process - Some clients suggested that withdrawing/depositing money in bank is a tedious process. They have to lose a full day wage and spend almost 4-5 hours in bank to do any transaction. Also, many people are afraid to go to banks as bank staff can be rude. So, they prefer not to go to bank to save in small denominations.

g. Shy and afraid of saving small amount -

Some clients suggested that banks are for big ticket transactions and they feel shy/ afraid of depositing small denominations in the bank.



OBSERVATIONS AT DIFFERENT LOCATIONS

Organisations	ICICI Bank BC: Action for Women and Rural Development (AWARD)	Union Bank of India Cashpor Cooperative Bank FINO	Baroda UP Grameen Bank	Eko (in collaboration with SBI)
Places Visited	Kanpur	Varanasi/Mirzapur	Rai Bareli	New Delhi
Clients Profile	<ul style="list-style-type: none"> • Housewives • Vegetable vendors • Kirana stores • Daily labourers • Contract labourers 	<ul style="list-style-type: none"> • NREGA labourers • Farmers • Small shops 	<ul style="list-style-type: none"> • NREGA labourers • Pension account holders • Agriculture labourers 	<ul style="list-style-type: none"> • Housewives • Students • Salaried employees • Kirana stores • Daily labourers/ Rickshaw Puller
Motivation for opening NFA	<ul style="list-style-type: none"> • Liquidating their salary cheques • No minimum balance , unlike other banks where they have to maintain balance • Want to be associated with ICICI bank – may get other banking facility like loan , demand draft and ATM in the future • Some wanted to get their pension funds in this account • To save in small amounts for emergency use • BC branch very near to working place. 	<ul style="list-style-type: none"> • Most people opened due to the influence of staff. • To use it for making small deposits • Group mentality - if one opens the account, everyone else wants to • Free account opening camp and people were offered free snacks • FINO's agents live very near and visit the village for cash deposit and withdrawal. • To receive NREGA payments 	<ul style="list-style-type: none"> • To receive NREGA payments • Pradhan ji asked them to open this account • Free account with no minimum balance • Getting Smart Card in pilot villages • To receive old age and widow pensions • To save in small amounts for emergency use • Opened in camp organised by bank 	<ul style="list-style-type: none"> • Easy accessibility as wide CSP network in East Delhi • Account can be used to save small amount of money and can be used during need. It can act as a good wallet. • Savings account on mobile phone. It is a style statement for students and some others • Account opened free of cost • State Bank of India has very good reputation • Account opened in mass account opening drives by Eko through canopies.

Organisations	ICICI Bank BC: Action for Women and Rural Development (AWARD)	Union Bank of India Cashpor Cooperative Bank FINO	Baroda UP Grameen Bank	Eko (in collaboration with SBI)
Awareness Level	<ul style="list-style-type: none"> Active clients know some of the product features Client do not know about the term of FD. Non active clients very little aware of the product features and pricing. 	<ul style="list-style-type: none"> People do not know much about the product features as they don't use other services – like bank accounts, etc Many people did not even know that this account was with Union Bank of India 	<ul style="list-style-type: none"> Other than receiving their NREGA wages in the account, people are aware that they can also use this account for savings. NREGA account holders were earlier withdrawing all money, but some now retain money in their account. Now they are aware that their money is safe. 	<ul style="list-style-type: none"> People know about the features of the account Clients also know how to operate the account using mobile phone
Reasons for inactivity	<ul style="list-style-type: none"> No ATM and cheque facility No credit facility linked to the account Some lost the card and do not know the process of renewal Some did not find this product attractive enough. Very little confidence in ICICI BC branch. Some customers have another bank account with additional facilities Did not like the physical appearance of branch. It looked like any other small shop and not a bank branch. Improper functioning of 	<ul style="list-style-type: none"> Providers just opened accounts, and stopped offering the services Customers not aware about the product features correctly. Customers were confused with terms of usage. They were not sure if they can use the smart card as ATM card to withdraw money from other agents or from any bank's ATM Customers said that they do not earn enough to save that is why they are not saving. Poor agent network in some villages 	<ul style="list-style-type: none"> Low income, so people unable to save Distance of bank from the village No agent model that can collect people's savings from their doorstep Tedious process of deposit/withdrawal Loss of wage in going to bank Only one day every week has been marked for NREGA customers to withdraw their wages from bank. Poor bank staff behaviour towards the 	<ul style="list-style-type: none"> Lack of trust. Some are afraid it might be a fly-by-night company or that the CSP may run away with their money Customer is mostly out of station, so unable to use the account Few customers opened the account thinking it to be a regular SBI account and when they got to know it is not the case, they did not use it Everybody was opening, so many people have also opened just like that Some people feel that it is

Organisations	ICICI Bank <i>BC: Action for Women and Rural Development (AWARD)</i>	Union Bank of India Cashpor Cooperative Bank FINO	Baroda UP Grameen Bank	Eko (in collaboration with SBI)
	biometric machines. <ul style="list-style-type: none"> • People prefer hand written passbook over smart card. 		NREGA account holders and customer are not encourage to come and save.	not safe to operate savings account through mobile phone <ul style="list-style-type: none"> • No ATM and cheque facility • Limited network where the account can be used
Demand from Customers	<ul style="list-style-type: none"> • Cheque book and clearing facility • ATM facility • Money transfer facility from account to account • Increase in the Rs.10000 transaction limit per day 	<ul style="list-style-type: none"> • Savings to be collected along with the loan repayments that happen regularly (Cashpor clients) • Agent network to be widened • Better interest rate on savings 	<ul style="list-style-type: none"> • Doorstep service through an agent • Smooth and fast bank process • Banking on any working day. 	<ul style="list-style-type: none"> • Cheque book and clearing facility • ATM facility • Money transfer facility from account to account • Increase in the annual transaction limit



PILOT TEST AT BUPGB

BUP Grameen Bank has been selected by NABARAD for a pilot test using POS machines through BC agents to provide saving services for people. Under this pilot project on financial inclusion with ICT solutions, these customers will be observed for 6 months and depending on the results, the model may be replicated in other villages and branches.

Lakshmanpur and Amethi branches (5 villages under each branch) have been selected for pilot with 500 customers (100 customers from each village) in each branch for 6 months. The Business Correspondent (BC) agent visits one village a day. Selection of customers was done by the BC on the basis that the customers should not have any other bank account.

Mr. Mishra, Bank Manager at BUPGB, Lakshmanpur feels this is a very good initiative as it will help him to reach out to customers who cannot afford the time and money to visit bank branches for everyday transactions. This would help them save on a regular basis, even though the amount may be very small. This would go a long way in achieving the financial inclusion RBI had in mind while designing the NFA.



Case Study 1: Door step services offered by FINO agents

Name: Nasima Begum

Age: 45

Village: Sarai Rasulpur, Chandauli

Family: 10 Children (5 boys and 5 Girls). 4 sons are married and stay separately and do not contribute to the household income. Out of the 5 daughters, only 2 are married and Nasima has to take care of the others and arrange for their marriages. Nasima's Fino card was issued in May, 2007. She actively uses her account and deposits Rs. 20-25 every week. Her current balance is Rs. 600.

Income sources

Nasima is a wage labourer and does some petty businesses. Her husband, Nizammudin, used to work as a mason but is now too old to work.. He was receiving Rs.1800 as old age pension through Union Bank of India, but somehow he stopped receiving it as on the bank records he is dead. They tried hard to get that status changed, but were not able to do it. They have no land.

Other financial instruments used

Post Office Recurring Deposit

Nasima used to save in the Post Office. For marrying her daughter, she saved Rs. 200 per month for 5 years and received Rs. 17060, which she used for the marriage. She found that such savings are very helpful and again started to save in the Post Office, this time, Rs. 100 per month. She saved for 6 months but because of cash-flow problems had to stop doing so.

Loan from Cashpor

Nasima had taken loan from Cashpor for a small mobile cosmetic shop that she runs. She ran it for two years but discontinued as most of the people paid in grains, not cash, which was consumed in the house. This made it difficult for her to manage the instalments. Last time she took a loan of Rs.14,000 to purchase a cow, but the cow died during pregnancy and Nasima is still repaying Rs.350 per week as instalment without any income as there was no insurance for the cow.

Fino Agent

Ashraf is the agent appointed by Fino in her village. He lives in Village Navdar, which is quite close to her village. Ashraf visits the village every Thursday and passes through the main road everyday. Nasima feels that this is a very good facility as she can withdraw money anytime she needs. She recalls that this account helped her a lot during her daughter's pregnancy. Her daughter was taken to hospital because of some complication. She went to Ashraf's house early in the morning and was able to withdraw Rs. 1300. She is very happy with such facility.

" Chahe 10 rupaiya bachat hau to ka, dware se to le jaat hain, Chihaniya ke bhade 16 rupaiye ho jaat hau" (So what if the savings is just Rs.10, they take it from my doorstep. Otherwise, going to Chihaniya (where the nearest bank is) costs Rs.16)

“Bank mein khata khulai 500 rupaiya lagat hai, yahan to mufte mein khul jaat hai” (It costs Rs.500 to open a bank account but here it gets opened for free)

In the beginning Nasima, like other villagers, was very hesitant to use this account as she was afraid of losing her money. Her husband had lost Rs.36,000 many years back in a private company when he was working in Varanasi. So, she started depositing Rs.10 each time and would then withdraw all the money, and then again save and withdraw. After some time, she was convinced that this is working well. Now she has full faith in the account.

“Bank mein na 1000-500 jude, na koi bachat ho” (Difficult to save Rs.500 – Rs.1000, so it is very difficult to save in banks)

“Bank to 10 baje khulat hai, bank mein aisan suvidha kahan ba” (Banks open at 10 a.m., such facilities are not there in banks)

Additional Services Requested through NFA

Remittance

Nafisa’s son works in Bombay and Delhi. She expects that she should be able to receive remittances through this account.

Cheque Facility -Her husband has an insurance policy and he saves Rs.1000 every 3 months. She expects that the cheque sent by the insurance company should be deposited in this account.

Old Age pension- This account should be able to receive old age pension.



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Some Positive Findings and Trends

Despite the high levels of dormancy and potential dormancy that we found, the NFA idea cannot yet be written off as a failure. Some people have started using these accounts for savings and this trend is spreading.

- **Technology** - Wherever technology works well and the staff is local and well-motivated (as in the case of FINO), they are able to deliver door-to-door service to their clients that are frequent, cheap and reliable. Clients are, thus, able to maximise their savings potential by saving in small amounts as frequently as possible.
- **Transparency** - Creating individual accounts for NREGA recipients helps to make the NREGA payment process more transparent (even if it cannot eliminate corrupt practices entirely)
- **Balance maintained by account holders** – Though these are all zero balance accounts, at least some balance – be it as low as Rs.100 is being maintained by many customers. In Mirzapur, the bank managers have motivated the clients to leave at least Rs.100 in the bank without which their account may get closed. So they have started leaving balances in their accounts.
- **Use of account as savings account** - Wherever the services are provided by a trustworthy source/channel at convenient location and time, the clients are using the account (e.g. around 30-40 account holders of Rasoolpoora village, Varanasi are regularly using the account as they are provided satisfactory (savings and withdrawal) services by the local FINO -Agent)
- **Faith in agents** - Villagers who are using the account for savings say that they are doing so because of their faith/trust in the agent. However, this observation was limited to the locations where agent was local and customers know them well.



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Case Study2: Using No Frills Account as a wallet**Name:** Jitendra Prasad Gupta**Age:** 21**Village:** Navdar**Block:** Chahaniya**District:** Chandauli**Occupation:** Student (BA third year, Ramgarh) and Business (Grocery store, family business) in Navdar

Jitendra opened a Union Bank of India No Frills account during a camp organised by FINO at Navdar. The account opening process was very quick and simple. He was happy as his photograph was also clicked by the FINO staff. His card was delivered to him in 1.5 months.

He is not aware of the bank where his account has been opened and says that his account is at FINO 'bank'. He has been operating this account for more than a year now and has also motivated his brother to open an account.



The FINO agent stays in the same village and comes to his shop everyday to facilitate transactions. Jitendra uses the account almost daily but keeps his Smart card with the agent, so that it remains safe and is not lost. This is not forced by the agent, but the customer feels safe in doing that, as he has a good rapport with the agent and is not keeping huge balance in his account.

Advantages of using NFA

- Easy to transact through the agent. It takes less than two minutes to complete a deposit/withdrawal transaction.
- Use of account as a wallet where he can save money for short term.
 - “*Isme dus dus rupaye jama karta hun, jab 50 ho jate hain to mobile recharge karwa leta hun*” (I save Rs. 10 every time, and when it becomes Rs. 50, I recharge my phone with it)
 - “*Thoda thoda karke 1500 jama kiya account mein, naya mobile phone lana tha*” (I kept saving small amounts and saved Rs. 1500 as I had to buy a new mobile phone)
- High level of trust on the agent
 - “*Vishwas hai kyonki agent gaon ke hain*” (I trust the agent as he belongs to my village)
 - “*FINO pe vishwas nahi hai, hame agent par vishwas hai, Chahe kisi aur company ka bhi ho par agent sahi hai to sab sahi hai*” (I don't trust FINO, I trust the agent. It does not matter what company it is, if the agent is good, then everything is fine)
- Flexibility of deposits in any denomination
- Receipt given after every transaction

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PRODUCT ATTRIBUTE RANKING

Product Attribute Ranking was used to rank the different attributes considered to be important while choosing a savings product by the respondents. This was done at all the 4 locations with total 39 respondents in 8 sessions. Respondents were asked to rank the attributes they look for in a savings product in order of their relative importance. This helped in understanding relative importance of each attribute for the respondents. The following table shows that Security of money, distance, facility to deposit and withdraw small amounts, ability to withdraw when needed and interest rate are quite important for the people.

- **Security of Money**

Security was ranked as the most important attribute by the respondents. People want to ensure that the money they are saving is in safe hands and they will get it back when they need it. People had suffered losses because of saving money with some private companies in the past. Agents, if from the local area and known to the people, can play a significant role in establishing trust in a brand. They promote the acceptability of products and reputation of institutions. In many cases, such as LIC and other private companies mobilising savings, like Sahara and Pearl, members would never have seen the offices of these institutions, but the trust is high, often because of the agent's reputation.

- **Proximity**

This relates to another important attribute—distance. It matters how far people have to go to do a deposit/withdrawal transaction. Perceived physical distance in some institutions that employ agents is very less as they provide doorstep services, even if their offices are quite far.

- **Small amount Deposits and withdrawal**

Facility to deposit and withdraw money in small denominations is again very important for people using no frills accounts. People feel that it is more useful and helps them build savings if they are allowed to save and withdraw in small denominations as per their need.

- **Ability to withdraw when needed**

People want to withdraw money during emergencies. This attribute is ranked fourth in their order of priority. People suggested that they should be able to use their own money when some urgent need, like illness, is there in the family.

- **Processing Time**

This attribute considers how smooth the transaction process is. People are wary about lengthy, time-consuming processes, which also seem to work only when people have the right connections with the staff. People also complained about loss of wages due to lengthy processing time in banks. In case of agent network, the processing time is very low as the agents often visit the clients at doorstep.

- **Interest**

As people tend to have wider range of options to save money, they have also started looking for competitive rates of interest on their savings —another attribute. This is generally the trend in areas with multiple service providers.

Rank	Savings account
1	Security of money/ Safety/ Trust
2	Proximity/ Distance
3	Small amount deposit and withdrawal
4	Ability to withdraw when needed
5	Interest
6	Processing Time /Time taken to do transaction
7	Account opening Amount/ Zero balance
8	Documentation

- **Documentation**
Low-income clientele seek institutions that have simple application processes and that accept clients regardless of their lack of support documentation. The use of agents was found to be most effective, as they are paid on the basis of business generated. The agents are thus motivated by financial gains and ensure that the needs of the clients are met by helping them with documentation, etc.
- **Account Opening Amount**
Account opening amount is also important as it acts as an entry barrier for people to start saving. But with NFA, there is no entry barrier as account opening amount is either zero or very small, so people do not perceive it as a problem.



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RECOMMENDATIONS

Creating Awareness – It was observed that there is very little awareness amongst NFA users about the no frills accounts. Also, the account should be promoted as a “bank account” rather than just a savings account, as this has more value for clients. Improved communication, information from the supply side with more pamphlets, brochures and verbal promotion will be helpful.

Targeting –It was observed in many cases that the wrong clientele group was targeted. For example, people with PAN card, proper ID proof, which hold other bank accounts, etc. As these customers are at the high end, their expectations are also high from the NFA. Better targeting is required while opening such accounts, otherwise the basic purpose behind opening such accounts, i.e., ‘financial inclusion’, would not be addressed and the accounts would remain dormant.

After Sales Service – In many cases, it was observed that the accounts are opened only to show that there are so many NFA opened by the bank. As such, no effort is made to ensure that the clients transact in the account. If after sales service is provided to the clients in terms of assuring that their money is safe, and making it easier for them to transact at the bank, it would go a long way in building the trust of the clients and making them use this account on a regular basis.



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Doorstep Collection – In many cases it was observed that the clients are not able to use the account as the bank is quite far from their place and it costs a lot to travel to the bank to deposit money; moreover they also lose their day's work. Generally the amount to be deposited is not so big as to make them incur this travel and opportunity cost. If doorstep collection is provided to people, they can deposit very small amounts like Rs.10/Rs.20 everyday, thereby, also inculcating the habit of saving.

Account Statements – The receipt issued by POS machines is on thermal paper and evaporate with time, so the customers cannot know their balance without going to the bank or the agent. Giving a facility to get some periodic statement may help in winning the confidence of the customers.

Better Agent Network – Prospective NFA clients constitute a huge market and to cater to the needs of this market segment, a very vast and strong agent management system is required. Also, if doorstep delivery of service is to be given, then the network has to be developed quite fast.

Cash Management – Tackling issues around cash management at agent level is the need of the hour. As the agents need to facilitate transactions on an everyday basis, they need to maintain certain level of liquidity with them. Also, the question of who maintains the balance cash and how is it maintained, needs to be looked into from the beginning.

Small Amount Deposits/Withdrawals – As the client segment is low income people, they transact in small amounts and need to deposit amount as small as Rs.10-Rs.20. The service providers should make sure that clients should not be disallowed to transact, either by the banks or by the agents.



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Case Study 3: Voice of a Good Saver**Name:** Lal Bahadur**Age:** 30**Village:** Pure Hulasi, Chak srihira, Rai Bareli**Family:** Wife with 2 daughters and one son**NFA opened:** 28 May, 2008**Occupation:** Wage labourer (NREGA and Paper mill), Contributes in family agriculture. Earns up to 1800-2000 per month from the paper mill. Food grains comes from agriculture.

“Abhi khate mein 4,397 rupaiye hai, aaj tak kabhi paisa nikala nahi, yeh khata to bachat ke liye hai, jab khate mein 5000 rupaiye ho jayenge, tab fix kar dunga, bacho ki shadi mein kaam aayenge” (Now, I have a balance of Rs.4,397 in my account. I have not withdrawn anything from the account yet. This account is for savings. When the balance in my account becomes Rs.5,000, I will make a Fixed Deposit so that it will be helpful during my children’s marriage)

Other Savings*Post Office Recurring Deposit*

Lal Bahadur deposits Rs.200 every month in his post office recurring deposit account. He had opened this account two years back for five years.

Fixed Deposit in bank

Last year, he opened a fixed deposit in Rai Bareli with Rs.10, 000. He had saved this amount at home. His father, who works as a peon in a college, motivated him to deposit it in bank so that he could earn good interest.

“Abhi se bachat ka nahi socha, to baad mein kaise hoga!” (If we do not think of saving yet, then how will it be possible later!)

“Hamara to uddeshya hai, aaj 100 kamay to 75 jama kare bhavishya ke liye” (My motive is that if I earn Rs.100 today, I should deposit Rs.75 for the future)

Savings at home

Lal Bahadur makes it a point to maintain about Rs.4,000-Rs.5,000 as cash at home for any medical emergency as his kids are small. He says he can keep it in bank, but in time of emergency it is very difficult to withdraw as bank processes are quite tedious and time consuming.

“Private company hai bahut, Pearls hai, Sahara hai, byaj bhi zyada milta hai, par darr lagta hai, le kar bhag gaye to!” (There are many private companies like Pearls, Sahara, etc and they also give higher interest. But I am afraid what if they run away with the money!)

Why Other People Do Not Save

1. Some are scared that this account is for low income people, keeping money in this account will attract unnecessary attention which may lead to some problems in their BPL status.
2. People are lazy and do not work other than NREGA, so cannot save as all the earnings are spent.

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ANNEXURES

Annexure I: Policy guideline around no frills accounts

No-Frills Accounts – Key Features as per various RBI circulars²⁶

The RBI has asked banks to make a basic banking “no-frills” account available for low-income individuals, with either zero or low minimum balances and charges. The nature and number of transactions in such accounts would be limited as per the offering bank policy, but the details should be made known to customers in advance in a transparent manner. The RBI has also urged all banks to give extensive publicity to such “no frills” accounts to enable financial inclusion.

Simplification of 'Know Your Customer' Norms

The RBI has also eased the “know your customer” (KYC) norms to keep the procedural hassles involved in opening a bank account to the minimum. This is to enable those belonging to low-income groups to open bank accounts without documents of identity and proof of residence. In such cases, banks can take the individual's introduction from an existing account holder on whom the full KYC procedure has been completed and has had satisfactory transactions with the bank for at least six months. The photograph and address of the prospective account holder need to be certified by the person who introduces him/her.

Banks also can rely on certificates of identification issued by the intermediary being used as BC, Block Development Officer, head of village panchayat, Postmaster of the post office or any other public functionary, known to the bank. These simplified KYC norms are applicable for those who intend to keep balances not exceeding Rs 50,000 in all their accounts taken together. The total credit in all the accounts taken together should not exceed Rs 100,000 in a year. While opening accounts as described above, the customer should be made aware that if at any point of time, the balances in all his/her accounts with the bank (taken together) exceeds rupees fifty thousand (Rs. 50,000) or total credit in the account exceeds rupees one lakh (Rs. 1, 00,000), no further transactions will be permitted until the full KYC procedure is completed

No-Frill Accounts offered by the Banks

At the instructions given by the RBI many of the banks (public and private) started offering no-frill saving bank accounts to the disadvantaged people with their own guidelines developed based on the RBI circular.

The following are the some of major salient feature in “No-Frills” accounts offered by both private and public sector banks.

- Eligibility - only individuals in their own name or in joint names can open the account. Generally, a customer will not be allowed to open more than one basic banking 'no-frills' account. Some banks restricted this account only to under privileged segments (Pan holders / affluent customers will not be allowed to open account under this scheme).
- Know Your Customer (KYC) - Introduction from another account holder who has been subjected to full Know Your Customer (KYC) procedure. The introducer's account with the bank should be at least 6 month old and should show satisfactory transactions. Photograph of the customer who proposes to open the account and also his address needs to be certified by the introducer or any other evidence as to the identity and address of the customer to the satisfaction of the Bank.

²⁶ RBI/2005-06/135 Know Your Customer Guidelines- Anti-Money Laundering Standards, August 23, 2005

RBI/2005-06/204, [Financial Inclusion, November 11, 2005](#), RBI/2005-06/288, Financial Inclusion by Extension of banking services –Use of BFs and BCs, January 25, 2006

- Minimum Balance for opening account: some branches are offering this account with Zero initial balance while some banks are offering at a very low minimum initial balance.
- Charges on non-maintenance of minimum balance: No Charges on non maintenance of Minimum Balance
- Rate of interest: many banks are applying the same interest rate what they are offering to Savings Bank account with some condition on a minimum balance to be maintained.
- Number of withdrawals: Maximum number of withdrawals is restricted to certain number by each of the banks (for e.g. SBI offers 30 transactions per half year while ICICI restricted the number of transactions to 12 per quarter and customer will be charged Rs.50 for additional transactions).
- Issue of Cheque Book- many of the banks are not offering cheque book to the account holders
- Immediate credit of outstation cheques- in many of the banks the account holders are not be given this facility
- Conversion to regular SB/CA- allowed
- A quarterly statement of account will be given to the depositor on demand. Duplicate statement of account may be issued to the account holder with a charge of Rs.10/- per page.

Using BC/BF for No-Frill Accounts²⁷

With the objective of ensuring greater financial inclusion and increasing outreach of the banking sector, RBI in January 2006 permitted banks to use intermediaries as Business Facilitators (BF) or Business Correspondents (BC) for providing financial and banking services. RBI has suggested banks to implement certain actions based on the recommendations of the working group to review BC model during August 2009. Overall, the data reveals that out of 50 public sector and private sector banks, only 26 banks have reported appointing BCs, through which 88.60 lakh no-frills accounts have been opened as on March 31, 2009.

As per the extant guidelines, the following entities can act as BCs of banks:

1. NGOs/ MFIs set up under Societies/ Trust Acts;
2. Societies registered under Mutually Aided Cooperative Societies Acts or the Cooperative Societies Acts of States;
3. Section 25 companies that are stand alone entities or in which NBFCs, banks, telecom companies and other corporate entities or their holding companies do not have equity holdings in excess of 10%;
4. Post Offices;
5. Retired bank employees, ex-servicemen and retired government employees.
6. Individual kirana/medical /fair price shop owners. Individual Public Call Office (PCO) operators, Agents of Small Savings schemes of Government of India/Insurance Companies, Individuals who own Petrol Pumps, Retired teachers and authorised functionaries of well run Self Help Groups (SHGs) linked to banks.

While appointing individuals as BCs, banks have to ensure that these individuals are permanent residents of the area in which they propose to operate as BCs and also institute additional safeguards as appropriate to minimize agency risk.

²⁷ Report of the working group to review the business correspondent model August 2009 and RBI/2009-10/238 dated November 30, 2009

Payment of commission/ fees for engagement of BFs/BCs

Banks were permitted to pay reasonable commission/ fee to the BFs and BCs and were advised that the rate and quantum of the same may be reviewed periodically. It was also stipulated that the agreement with the BF/ BC should specifically prohibit them from charging any fee to the customers directly for services rendered by them on behalf of the bank.

With a view to ensuring the viability of BC model, banks (and not BCs) are permitted to collect reasonable service charges from the customer in a transparent manner under a board approved policy, relook at the compensation structure of BCs to effectively ramp up the use of the BC scheme for banking penetration and use BC model for to deliver other services include small savings, micro-credit, micro-insurance, remittances etc.

Capacity building of BCs

In order to strengthen the capacity building of BCs/BFs, the Indian Institute of Banking and Finance (IIBF) is offering a certification course and NABARD vide circular dated July 24, 2009 has advised the banks that support in the form of meeting a part of the costs will be provided from the Financial Inclusion Fund to the successful candidates, subject to certain conditions. Banks may develop suitable training modules in the local language/s, in order to provide proper attitudinal orientation and skills to the BCs.

Risk mitigation

Banks were advised that as the engagement of intermediaries as BFs/BCs involves significant reputation, legal and operational risks, due consideration should be given by banks to these risks. They should also endeavour to adopt technology-based solutions for managing the risk, besides increasing the outreach in a cost effective manner. It was stipulated that the arrangements with the BCs shall specify:

- Suitable limits on cash holding by intermediaries as also limits on individual customer payments and receipts;
- The requirement that the transactions are accounted for and reflected in the bank's books by end of day or next working day; and
- All agreements/ contracts with the customer shall clearly specify that the bank is responsible to the customer for acts of omission and commission of the BF/BC.

Grievance redressal

Banks were advised to constitute Grievance Redressal Machinery within the bank for redressing complaints about services rendered by BFs /BCs and give wide publicity about it through electronic and print media. It has also been stipulated that the name and contact number of designated Grievance Redressal Officer of the bank should be made known and widely publicised. The designated officer is to ensure that genuine grievances of customers are redressed promptly. Banks were also advised that their grievance redressal procedure and the time frame fixed for responding to the complaints should be placed on the bank's website. Further, if a complainant does not get satisfactory response from the bank within 60 days from the date of his lodging the complaint, he will have the option to approach the Office of the Banking Ombudsman concerned for redressal of his grievance/s.

Compliance with Know Your Customer (KYC) Norms

The banks were advised that compliance with KYC norms will continue to be the responsibility of banks and since the objective was to extend savings and loan facilities to the underprivileged and unbanked population, banks may adopt a flexible approach within the parameters of guidelines issued on KYC from time to time. It was also clarified that in addition to introduction from any person on whom KYC has been done, banks can also rely on certificates of identification issued

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by the intermediary being used as BC, Block Development Officer (BDO), head of Village Panchayat, Post Master of the post office concerned or any other public functionary, known to the bank.

Oversight of operations of BC

With a view to ensuring adequate supervision over the operations and activities of the BCs by banks, it has been stipulated that every BC will be attached to and be under the oversight of a specific bank branch to be designated as the base branch.

Geographic coverage of the bank/bank branch/agent

The distance between the place of business of a BC and the base branch, ordinarily, should not exceed 30kms in rural, semi-urban and urban areas. In metropolitan centres, the distance could be upto 5kms. However, in case a need is felt to relax the distance criterion, the matter can be referred to the District Consultative Committee (DCC) of the district concerned for approval. Where such relaxations cover adjoining districts, the matter may be cleared by the State Level Bankers' Committee (SLBC).

Appointment of sub-agents

It has been advised that in case the duly appointed BCs of banks desire to appoint sub-agents at the grass root level to render the services of a BC, banks have to ensure that the sub-agents of BCs fulfil all relevant criteria stipulated for BCs and the BC appointed by them carries out proper due diligence in respect of the sub-agent to take care of the reputation and other risks involved and the distance criteria from the base branch. It has also been made clear that where individuals have been appointed as BCs, they cannot in turn appoint sub-agents.

Monitoring

Banks have been advised that the implementation of the BF/BC model should be closely monitored by controlling authorities of banks, who should specifically look into the functioning of BF/BCs during their course of their periodical visits to the branches. Further, banks should also put in place an institutionalised system for periodically reviewing the implementation of the BF/BC model at the Board level.

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Annexure 2- FGD Guide- Clients

Welcome	
<ul style="list-style-type: none"> ▪ Thank you for coming – we are grateful for your time. We are from an organisation called MicroSave. MicroSave is a research organisation which helps financial institutions design products and services for those who do not get adequate access to prompt and affordable financial services. We try to ensure that the clients' voices and ideas are heard by the institutions which provide financial services. ▪ We are trying to understand the use of zero balance/NREGA accounts offered by Banks, NGOs, MFIs and other companies. We seek your opinion to understand the reasons for usage and dropouts. Result of this study will be used to support banks and MFIs in providing better quality services/products to their clients. ▪ Your names and any personal information will be kept confidential – so please feel free to express your opinions. Answers you provide here are neither right nor wrong. Every opinion is important. ▪ We would very much like to record (take notes) of these discussions to help us remember them and so that we do not miss any of the issues and ideas you give us. ▪ As a first step we should introduce ourselves. My colleague will prepare the name-tags to help us remember your names. 	
Warm up Question:	
<ol style="list-style-type: none"> 1. How long you have been living in this area? 2. What are the main occupations of the people in your area? 3. How long you have been operating the NFA? 	
Questions	Related Probes
4. Why did you open the NFA?	<ul style="list-style-type: none"> ▪ Probe whether the objective is fulfilled ▪ Probe for multiple accounts for households and why?
5. How frequently and for what purposes do you use the account?	<ul style="list-style-type: none"> ▪ Reasons for low or high frequency ▪ Probe the reasons why they are not using for other purposes
6. What do they know about NFA and where from?	<ul style="list-style-type: none"> ▪ Probe around Product, Price, Place, People, Process (Training/workshop), Positioning, Promotion and Physical Evidence? ▪ Probe whether they were pushed or pulled
7. What do you like or dislike about it?	<ul style="list-style-type: none"> ▪ Probe for reasons for liking or disliking ▪ Probe: We have heard that many of the people are not using these accounts what could be the reasons ▪ Probe if they have any suggestions for its improvement (What about loans)
8. What other financial services do you use?	<ul style="list-style-type: none"> ▪ Probe about variety of service provider/devices like formal, semiformal and informal (We may need to prompt giving examples) ▪ Probe how NFA is comparable with other financial services
9. What kind of people do you think NFA will suit more?	<ul style="list-style-type: none"> ▪ Probe: how this accounts will go with different economic status
Closure Thank you for your contributions in this discussion. Do you have any questions/comments for us?	

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FGD Guide- Staff

Welcome	
<ul style="list-style-type: none"> ▪ Thank you for giving us an opportunity to talk to you – we are grateful for your time. We are from an organisation called MicroSave. MicroSave is a research organisation which helps financial institutions design products and services for those who do not get adequate access to prompt and affordable financial services. We try to ensure that the clients' voices and ideas are heard by the institutions which provide financial services. ▪ We are trying to understand the use of zero balance/NREGA accounts offered by banks, NGOs, MFIs and other companies. We are seeking opinions of clients, staff involved, and BC agents to understand the reasons for usage and dropouts. Result of this study will be used to support banks and MFIs in providing better quality services/products to their clients. ▪ Your names and any information that you will share will be kept confidential – so please feel free to express your opinions. Answers you provide here are neither right nor wrong. Every opinion is important. ▪ We would very much like to record (take notes) of these discussions to help us remember them and so that we do not miss any of the issues and ideas you give us. 	
Warm up Question:	
<ol style="list-style-type: none"> 1. How long you have been working with – <ol style="list-style-type: none"> a) This organisation? b) On NFA (for how long your organisation has been offering NFA) 2. What are the clients profile you deal with (in terms of income levels, occupation, gender and age etc.)? 	
Questions	Related Probes
3. Why did their clients open the NFA?	<ul style="list-style-type: none"> ▪ Probe whether the objective is fulfilled (from clients perspective) ▪ Probe for multiple accounts for households and why?
4. What are the features of your NFA and what are the reasons for choosing that?	<ul style="list-style-type: none"> ▪ Probe for rationale for choosing the feature
5. How frequently and for what purposes do they use the account?	<ul style="list-style-type: none"> ▪ Reasons for low or high frequency ▪ Probe the reasons why they are not using for other purposes
6. What are the clients' awareness level regarding NFA and where from?	<ul style="list-style-type: none"> ▪ Probe around Product, Price, Place, People, Process (Training/workshop), Positioning, Promotion and Physical Evidence? ▪ Probe whether they were pushed or pulled
7. What do they like or dislike about it?	<ul style="list-style-type: none"> ▪ Probe for reasons for liking or disliking ▪ Probe: We have heard that many of the people are not using these accounts what could be the reasons ▪ Probe if you have any suggestions for its improvement (What about loans)
8. What other financial services do they use?	<ul style="list-style-type: none"> ▪ Probe about variety of service provider/devices like formal, semiformal and informal (We may need to prompt giving examples) ▪ Probe how NFA is comparable with other financial services
9. What kind of people do you think NFA account will suit more?	<ul style="list-style-type: none"> ▪ Probe: how this accounts will go with different economic, literacy status and age.
Closure Thank you for your contributions in this discussion. Do you have any questions/comments for us?	

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Individual Interview Guide for Clients

Welcome	
<ul style="list-style-type: none"> ▪ Thank you for giving us an opportunity to talk to you – we are grateful for your time. We are from an organisation called MicroSave. MicroSave is a research organisation which helps financial institutions design products and services for those who do not get adequate access to prompt and affordable financial services. We try to ensure that the clients' voices and ideas are heard by the institutions which provide financial services. ▪ We are trying to understand the use of zero balance/NREGA accounts offered by banks, NGOs, MFIs and other companies. We seek opinion of clients to understand the reasons for usage and dormancy/dropouts. Result of this study will be used to support Banks and MFIs in providing better quality services/products to their clients. ▪ Your names and any information that you will share will be kept confidential – so please feel free to express your opinions. Answers you provide here are neither right nor wrong. Every opinion is important. ▪ We would very much like to record (take notes) of these discussions to help us remember them and so that we do not miss any of the issues and ideas you give us. 	
Warm up Question:	
<ol style="list-style-type: none"> 1. How long you have been living in this area? 2. What are the main occupations of the people in your area? 3. How long you have been operating the NFA account 	
Questions	Related Probes
4. Why did you open the NFA?	<ul style="list-style-type: none"> ▪ Probe whether the objective is fulfilled ▪ Probe for multiple accounts for households and why?
5. How frequently and for what purposes do you use the account?	<ul style="list-style-type: none"> ▪ Reasons for low or high frequency ▪ Probe the reasons why they are not using for other purposes
6. What do you know about NFA and where from?	<ul style="list-style-type: none"> ▪ Probe around Product, Price, Place, People, Process (Training/workshop), Positioning, Promotion and Physical Evidence? ▪ Probe whether they were pushed or pulled
7. What do you like or dislike about it?	<ul style="list-style-type: none"> ▪ Probe for reasons for liking or disliking ▪ Probe: We have heard that many of the people are not using these accounts what could be the reasons ▪ Probe if they have any suggestions for its improvement (What about loans)
8. What other financial services do you use?	<ul style="list-style-type: none"> ▪ Probe about variety of service provider/devices like formal, semiformal and informal (We may need to prompt giving examples) ▪ Probe how NFA is comparable with other financial services
9. What kind of people do you think NFA account will suit more?	<ul style="list-style-type: none"> ▪ Probe: how this accounts will go with different economic status
10. Could please give us information about your age, education and household income.	<ul style="list-style-type: none"> ▪ Try to understand client's profile in terms of age education, gender and household income (monthly/annual)
Closure Thank you for your contributions in this discussion. Do you have any questions/comments for us?	

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