Addressing Dormancy in Savings Accounts

Insights from the Cashpor Savings Project
OVERVIEW

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INTRODUCTION

India is home to the world’s largest unbanked population. The Government has taken various policy measures to promote financial inclusion, including the introduction of the business correspondent (BC) model. However, these policy measures have fallen short of achieving the desired results. The focus has been on providing access and not on usage of accounts by the poor. Dormancy in accounts shows that there are major barriers to account usage.

This case study focuses on Grameen Foundation and Cashpor’s experience in handling dormancy. It highlights specific measures taken by Cashpor to counter dormancy.

Definitions

Business Correspondent model: a branchless banking model to promote financial inclusion by providing banking services to the underserved.

Business Correspondent: an agent, such as Cashpor, appointed by banks to facilitate transactions directly with customers.

Dormancy: low or no usage of bank accounts.
SUMMARY

Dormancy in savings accounts may indicate that people are not effectively served by existing programs, and therefore missing opportunities to climb out of poverty.

The most common issues cited for dormancy in NFAs (no-frills accounts) serviced by Business Correspondents include lack of financial literacy and customer education; the cost of opening an account and transaction fees; long processing time to open accounts; and lack of a suitable product.

Grameen Foundation and Cashpor’s experience with the BC model shows that there is no single cause of dormancy; rather, dormancy results from a combination of issues related to products, clients and system processes. Cashpor has tested several interventions to decrease dormancy.

The measures used to reduce dormancy have been classified into supply-side and demand-side interventions in this case study.

For a complete look at the case study and its findings, click here.
In June 2011, Grameen Foundation launched a partnership with Cashpor, ICICI Bank and Eko Technologies to provide savings accounts to Cashpor’s clients through the Business Correspondent model.

Grameen Foundation categorized and analyzed accounts that were dormant. Then, initiated specific measures to mitigate dormancy.

Early efforts were effective:
Accounts dormant >180 days:

- September 2012: 34%
- February 2013: 18%
DEMAND-SIDE ISSUES:
1. Clients’ knowledge about the services and products offered
2. Clients’ trust in the mobile channel
3. Clients’ need for suitable products

DEMAND-SIDE MEASURES:

1. Customized center-led workshops:
   Inform clients of benefits of savings and provide product information.

2. Confidence building measures:
   Encourage clients to transact frequently to test the system
   Access to deposits during emergencies built trust as well

3. Product awareness building:
   Center managers regularly share important mobile and transaction information.
SUPPLY-SIDE ISSUES:
1. Account-opening Delay
2. Lack of Staff Capacity
3. Adopting New Staff Behavior

SUPPLY-SIDE MEASURES:

1. Technology:
   Reduce time to open accounts by developing an automated account tracking tool

2. Staff Capacity Building:
   • Comprehensive capacity building program
   • Exposure visits
   • Training of Trainers (ToTs), Change Management and Leadership trainings

3. Staff Incentive Schemes:
   Incentives like “Sultan of Savings” increases staff efficiency and morale while driving behavior change among field staff that had not offered savings services before
Active accounts

1. Conduct research to understand demand-side
2. Adopt process innovations
3. Collaborate among BC stakeholders
4. Replicate AOF Tracker Tool
5. Build client confidence and trust
6. Replicate staff incentive package
7. Educate clients with awareness campaigns
For a complete look at the full case study and its findings, visit www.grameenfoundation.org/resources/publications