

# Channel Innovation for Financial Inclusion



*A Case Study to understand how Cashpor transformed from a MFI to a MFI-BC to provide multiple financial services to the poor*

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## Executive Summary

There is growing recognition that innovative channels can bridge the chasm between the need for financial inclusion through access to financial services for the poor and the considerable challenges in making them available to the underserved. Channel innovations must ensure that they not only effectively deliver affordable financial services to remote customers, but also are sustainable for the service provider. The Business Correspondent (BC) model based on low cost ICT can be one such channel.

Since the BC model is a relatively new concept, sharing lessons from successful channel innovations would help banks, policy makers and BCs in effective service delivery. This case study is a step in this direction - it demonstrates how Cashpor, a microfinance institution (MFI) has been successfully<sup>1</sup> leveraged as an effective channel to deliver BC services. It analyzes the channel innovation process that Cashpor adopted with support from Grameen Foundation to provide a range of financial services to its customers. **See Annexure 1 to know more about the Grameen Foundation- Cashpor Microsavings Project.**

As part of its Microsavings Initiative<sup>2</sup>, Grameen Foundation has been engaged in a three-year project to assist Cashpor in its transformation from a credit-only MFI into a BC. Grameen Foundation was looking for sustainable ways to enable savings for the poor, and Cashpor wanted to deliver savings to its poor customers. They partnered as they saw potential in the BC model.

At Cashpor, the BC model brought a new way to do business and became an innovative channel in offering savings services. Grameen Foundation worked with Cashpor to help the organization transition from being a single product company offering credit to being an innovative channel to their customers. In July 2011, Grameen Foundation worked with Cashpor to create a three-way partnership between Cashpor, ICICI Bank and Eko India Financial Services Private Limited (Eko). The approach that Grameen Foundation and Cashpor adopted in designing the channel was guided by two factors - keeping costs low and delivering savings services to the poor in an effective and efficient manner. Cashpor, therefore, leveraged its existing MFI infrastructure and staff from the credit operations to deliver BC services to its customers.

### What is Channel Innovation?

Channel innovation is a way of identifying new and sustainable channels of distribution that fit naturally into the customer's lifestyle. It provides organizations the opportunity to create new markets, offer new products, expand to new geographies, and optimize costs. As per an [Infosys paper](#), channel innovation has impacted banking behavior the most. Channels will remain a high priority area for banking innovation as any change in delivery processes or distribution infrastructure is immediately reflected in the customer experience.

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<sup>1</sup> A Sa-Dhan study on the efficacy of the BC model in India, found the BC model adopted by Cashpor as one of the most successful in the country.

<sup>2</sup>Grameen Foundation's Microsavings Initiative is a three year project funded by the Bill & Melinda Gates Foundation. It was launched in November 2009 with a goal of reaching 1.45 million new savers in Asia and Africa by the end of 2012. <http://www.grameenfoundation.org/microsavings-initiative>

We summarize below some of the channel innovation processes that made Cashpor's BC operations effective:

- **Customer centricity:** Delivering effective savings services to customers in a sustainable manner has been the driving force behind Cashpor's channel innovation effort. Grameen Foundation and Cashpor believe that customers are the single most important stakeholder in the BC project and end goal of every initiative and stakeholder should be to benefit them. For example, the financial literacy efforts not only serve to aid staff in engaging with customers, but also help the customers in making informed decisions about their choice of saving services. Customer centricity has played a key role in generating demand for savings services and has been responsible for the success of the project.
- **Change management through staff motivation and capacity building at all levels:** Staff and human resources are a very critical resource required to effectively execute plans. Grameen Foundation conducted change management workshops with senior and mid-level staff at Cashpor to ensure that a uniform message about the need to provide savings services was passed on throughout the organization. In addition to the change management workshops, Grameen Foundation implemented the 'Leaders for the Field<sup>3</sup>' training program to communicate the change effectively to the field staff. Furthermore, customized training programs have been conducted on a need-basis for the staff at the branch level to impart specific skills or resolve specific challenges in servicing customers, such as sales training, customer service, and product knowledge.
- **Adoption of low cost, user-friendly technology:** Mobile technology plays a crucial role in the success of Cashpor's BC model. It does not require large investments at the customer or Cashpor's end, and most customers already own or have access to mobile phones. Grameen Foundation and Cashpor introduced simple mobile applications that helped staff save time. There were many ways in which technology improved the delivery of saving services. First was in streamlining the account opening process. An Account Opening Tracker (AOF) tool was developed to help track movement of forms and eliminated duplication, thereby reducing the time taken to open accounts from 2-3 months to 20 days. Mobile technology was also deployed to automate the reporting of performance targets. This allowed field staff to access and assess their performance through mobile phones vis-a-vis their target in real time.

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<sup>3</sup> Leaders for the Field" (LFTF), a leadership solution created by Grameen Foundation in partnership with CoCoon Consulting and the Center for Creative Leadership (CCL), was designed to bridge the leadership gap that exists in the middle management ranks of microfinance institutions and other social enterprises. Read more [http://humancapitalhub.org/Leaders\\_for\\_the\\_Field\\_Grameen\\_Foundations\\_Leadership\\_Solution](http://humancapitalhub.org/Leaders_for_the_Field_Grameen_Foundations_Leadership_Solution)

- **Incentives for staff for saving services and integrating it in the performance evaluation system:** Cashpor shares the income that it earns from ICICI Bank through its BC work with its staff in the form of commissions. In addition, it also launched a short-term staff incentive scheme 'Saving ka Sultan' (Sultan of Savings) to boost enrolments and transactions. This incentive scheme ran for three months and was very successful in motivating staff and resulted in boosting enrolments and engendering transactions. Integrating metrics related to savings into the staff performance evaluation system also ensured accountability and helped the staff view savings as an integral and vital part of Cashpor's business.

Insights from the Cashpor experience show that change has to be introduced gradually in a phased manner such that it does not disrupt existing operations. Customer centricity should drive the model which should be kept nimble and modified as per field realities. Stakeholders should engage in channel innovation for financial inclusion with a long term perspective, as it is a time- and effort-intensive process. Finally, it is important for all stakeholders to realize that channel innovation is a complex process and change has to be managed consciously.

## Section I: Introduction

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### Need for Channel Innovation in Financial Inclusion

Access to banks and banking services is critical for financial inclusion and a priority for the Government of India. As per a [CRISIL report](#) on the state of financial inclusion in India, only one in two Indians has a savings account, and only one in seven Indians has access to bank credit. The bottom 50 districts on the financial inclusion index have just 2% of the country's bank branches and only 4,068 loan accounts per 100,000 of population. In order to increase bank presence in a cost-effective manner in remote and underserved areas and provide financial access to the poor, the Government of India adopted the technology-driven Business Correspondent (BC) Model to promote branchless banking.

The BC model needs innovations in delivery channels to reach the poor in a cost-effective and customer-friendly manner. Banks are, therefore, building BC partnerships with various institutions that have a wide distribution network in underserved areas. These include Microfinance Institutions (MFIs), Self-Help Group Promoting Institutions (SHPIs), and corporates with large retail networks, among others. Since this approach is new to the Indian banking sector, current on-the-ground efforts are largely experimental, with very few success stories that can be used as references. Hence, lessons shared from successful and innovative channels would help banks, policy makers, and most importantly, the BCs in effective service delivery.

This case study is an effort in this direction; it explains how Cashpor, a credit only MFI successfully<sup>4</sup> transformed itself to an institution providing multiple financial services to the poor, including savings service, by using the BC model. This can be termed as a new channel to provide comprehensive financial services to the poor since MFIs so far have largely focused on credit services due to regulatory and other issues. The study focuses on and highlights the channel

#### What is the Business Correspondent Model?

In 2006, the Government of India adopted technology driven Business Correspondent Model to promote branchless banking and financial inclusion. The legal relationship between the BC and the bank is that of an Agent and Principal bound by a legally enforceable contract. Initially, only not-for-profit entities were permitted to operate as BCs. Overtime, the list has been expanded to include for-profit companies. BCs provide banking services such as opening bank accounts, accepting deposits and offering withdrawal facilities.

BCs operate in urban and rural areas where banks do not have their branches. Technology service providers have a critical role to play in this model, as they reduce the cost per transaction and serve as a link between the bank, BC and the customer. BCs either use the Smart Card Based Kiosk Model or the Mobile Hand set based Model. They work on commission basis and are paid by the bank.

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<sup>4</sup> A Sa-Dhan study on the efficacy of the BC model in India, found the BC model adopted by Cashpor as one of the most successful in the country.

innovation adopted by it with support from the Grameen Foundation to provide a range of financial services to its customers. According to Debbie Dean, Director of the Microsavings Initiative<sup>5</sup> at Grameen Foundation, “Channel innovation for Cashpor meant adding new products and services through their existing channel while optimizing and using the existing processes and infrastructure to effectively deliver financial services to remote rural areas. For a channel innovation to be called a success, a business case has to be made so that its sustainability is ensured. In the case of Cashpor, we leveraged its existing MFI infrastructure to introduce savings services.” She elaborates, “Cashpor’s positive reputation amongst its customers as a trusted intermediary was a key factor in the success of the savings product as evident from the low dormancy rates<sup>6</sup> in savings accounts.” **See Annexure 1 to know more about the Grameen Foundation- Cashpor Microsavings Project.**

### Why did Cashpor and Grameen Foundation Choose the Business Correspondent Model?

As part of its Microsavings Initiative, Grameen Foundation has been engaged in a three-year project to assist Cashpor in its transformation from a credit-only MFI into a BC. Grameen Foundation’s efforts center on identifying new models for delivering services to the world’s poorest people and it was looking for channels to deliver saving services to the poor in a sustainable manner. Moreover, the BC model had to be proven, and there was a need to demonstrate its potential for success and sustainability.

Cashpor faced a demand from its customers for saving services. It saw the adoption of the BC model as a way to scale their services and offer a range of affordable financial services. Cashpor and Grameen Foundation partnered as they saw potential in the BC model.

Chandni Ohri, CEO of Grameen Foundation India explains, “In 2010-2011, there was a lot of emphasis in India on microcredit and very few successful examples on delivery of other financial products existed. Therefore, piloting a savings program was a natural choice for Grameen Foundation. The fact that BC regulation had just come into play and it allowed a single provider to provide a basket of financial services, encouraged us to adopt it.” She elaborates, “ An existing relationship with Cashpor and its legal status as Section 25 Company (initially for profits were not allowed to become BCs) helped us in adopting the BC model.”

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<sup>5</sup> Grameen Foundation’s Microsavings Initiative is a three year project funded by the Bill & Melinda Gates Foundation. It was launched in November 2009 with a goal of reaching 1.45 million new savers in Asia and Africa by the end of 2012. <http://www.grameenfoundation.org/microsavings-initiative>

<sup>6</sup> Refer to the case study on, “ Addressing Dormancy in No-Frills Accounts: Insights from the Cashpor Project”

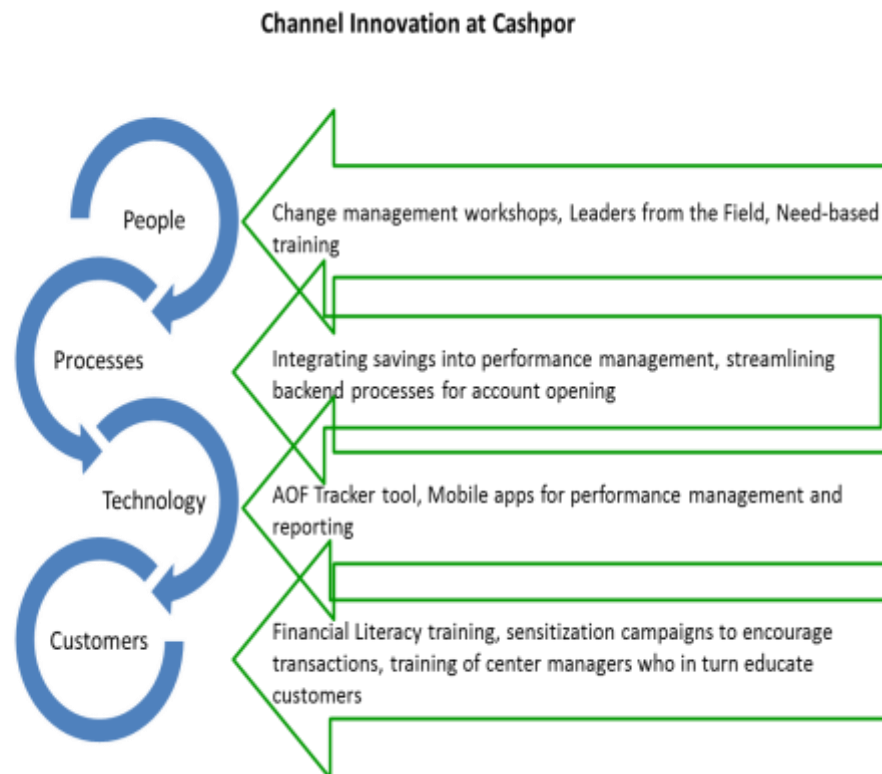


## Section II:

### Key Steps for Channel Innovation: Cashpor's Approach to Building the MFI-BC Channel

Grameen Foundation has been directly supporting Cashpor in five key areas of its BC operation - project management, change leadership, market research and product design, information technology, and marketing. This section discusses some of the key steps that were adopted for channel innovation by Grameen Foundation and Cashpor, and have been largely responsible for the success of the savings operation.

Grameen Foundation adopted a change management approach to help Cashpor transition into its new role as a provider of savings and credit services. Change management can be defined as 'a process of guiding organizations and individuals through significant institutional change to ensure the change can be successfully implemented and sustained'. The change management effort at Cashpor encompassed adoption of technology, digitization of processes, staff capability building and partner management to ensure that the organization and its staff were ready to be an integral and seamless part of the channel innovation. Chandni Ohri, CEO of Grameen Foundation India adds, "Besides the usual elements, change management at Cashpor involved a strong element of identity transformation. It was a massive change for Cashpor to transform from a credit-only MFI to a credit-led financial institution providing an array of financial services to its customers."



➤ **Building capacities and managing change through workshops and training programs:**

*Effective channel innovation requires a change in mindset and at times, new sets of skills and capabilities. Cashpor, which underwent an identity transformation process, needed a set of capacity building programs that could build new skills and facilitate change.*

As part of the identity transformation process, Grameen Foundation conducted change management workshops with senior and mid-level staff at Cashpor. Grameen Foundation's program lead, Santosh Daniel shares that, "The idea behind including a mix of senior and mid management staff was to ensure that the entire organization was on the same wavelength in their motivation to effectively provide savings services to customers." In addition to the change management workshops, Grameen Foundation launched its Leaders for the Field (LFTF) program. Its diverse learning components and hands on approach enabled managers to deal with the new responsibilities and hone their skills to successfully adapt to the changes.

Finally, the project team conducted customized training programs for the staff at the branch level in response to specific needs and gaps in skill sets required to service customers such as sales training which also includes aspects of customer service. Heads of savings and training as well as branch managers visited pilot projects of Eko and ICICI Bank to understand how the model worked in other places.

➤ **Building new systems to strengthen processes and make them more efficient:**

*Introduction of any new process within an existing set of processes not only requires that the entire process be revisited, it also requires an organization to address bottlenecks that arise out of the introduction of a new structure that is superimposed on an existing framework. In the case of Cashpor, Grameen Foundation brainstormed with Cashpor on how to streamline the existing and the new processes.*

The entire process of savings account opening is complex - physical account opening forms travel from remote villages in Uttar Pradesh (U.P.) and Bihar where Cashpor's customers are based to the ICICI Bank center in Hyderabad. The project team faced early problems such as multiple application forms from the same customer and high rejection of applications. As a result, the average time taken to open an account was 2-3 months. This long interval between applying for an account and being able to transact had a negative impact on uptake and use of the accounts as it let the momentum of a marketing drive slip away and did not create a good first impression in the minds of customers. In February 2012, Grameen Foundation and Cashpor initiated digitization of the account opening forms to speed up the process. An Account Opening Form (AOF) Tracker software was developed to help track movement of forms, improve business processes across stakeholders and eliminate duplication, thereby reducing the time taken to open accounts from 2-3 months to 20 days.<sup>7</sup>

The AOF tracker aided the success of the channel innovation in other ways too. It not only streamlined the backend processes at Cashpor, but also helped the other partners – ICICI Bank and Eko - to improve their services. According to Debbie Dean, "The AOF Tracker instilled an increased sense of responsibility

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<sup>7</sup> For more details please refer to the case study on, "Addressing Dormancy in No-Frills Accounts: Insights from the Cashpor Project"

amongst all partners as it brought in transparency to the enrolment process. The tracker made it possible to track every step of the account opening process and identify bottlenecks.” Form rejection levels have dramatically fallen from 29% to less than 1% at ICICI levels, demonstrating the efficient working of the system.

➤ **Motivating and incentivizing staff for saving services:**

*The CSPs involved in BC operations carried prior credit responsibilities. In order to motivate and gain their engagement in providing additional BC services, there was a need to adequately incentivize them.*

Cashpor devised an incentive mechanism whereby it shares with its staff a portion of the income that it earns from ICICI Bank as commission. About one-fourth of the commission Cashpor earns through savings account enrolments and one-fifth of commissions earned through savings transaction (deposit or withdrawal) are distributed to the credit officers as incentives.

In addition to the regular incentives, Cashpor launched a special staff incentive scheme ‘Saving ka Sultan’ (Sultan of Savings) to boost enrolments and transactions. This was a short-term incentive scheme that was initiated in February 2012 and ran for three months. Targets were designed to ensure that the performance of branch managers, area managers, divisional and zonal managers was directly dependent on the performance of the staff reporting to them. This ensured that the entire system worked towards meeting targets and boosting enrolments. The scheme was a great success and received a tremendous response from staff across the board.

➤ **Ensuring accountability and integrating savings targets in the performance evaluation system:**

*Along with adequate incentives, ensuring accountability through integration of savings targets is essential for effectively running the BC operation. At Cashpor, performance targets were adjusted in such a manner that staff had to focus not only on credit but also at savings to perform satisfactorily.*

Staff at all levels of the organization follow a 12 point score for performance evaluation, where four points are dedicated to savings. As Dinesh Verma, Deputy Director Operations (North Zone) at Cashpor explains, “Performing well only in credit operations does not ensure a good score to any staff. This integration of savings target with credit targets has played a vital role in helping the staff at Cashpor view savings as an integral part of Cashpor’s services.” He adds that this change helped improve staff attitude and motivation towards savings.

➤ **Generating demand and marketing savings:**

*As most customers were first time account holders, it was important to continuously reiterate the benefits of a formal savings product as compared to an informal means of savings that the women were familiar with. This helped the uptake of savings accounts and improved transactions.*

The supply side initiatives in this channel innovation were effective because of demand for savings products from Cashpor customers. Since most of Cashpor's customers are poor women who have never had a bank account, they needed guidance and information about financial services.

The Grameen Foundation and Cashpor created and implemented awareness generation and financial literacy campaigns to inform customers about the benefits of savings. Special sensitization camps were organized to encourage customers to transact and avoid dormancy. These sensitization drives included organizing special camps in villages and towns, home visits by CSPs and facilitating discussions about the benefits of using the savings account at center meetings. A customized financial literacy training module has been developed to generate awareness on financial planning and the importance of savings. Ajay Mishra, Deputy Director Operations (South Zone) at Cashpor shares, "Our CSPs today undertake credit and savings work with the same intensity because they realize that they need to create demand for savings. If they just told the poor people to save, they would get responses like, "I am already so poor, where do I have the means to save" – our CSPs now tell them how savings can help educate a child or pay towards marriage, thus linking it to a real need and thereby helping them plan for the future."

➤ **Leveraging mobile technology for reporting:**

*This helps in effective monitoring of staff performance and contributes to efficient BC operations as CSPs and branch managers no longer need to physically travel to branch offices to submit performance reports. This made the channel more efficient and freed up time for focusing on customer needs.*

Change had begun at Cashpor even before the savings operation was launched. Cashpor began using a mobile application (ATOM) for reporting its credit business. Prior to the adoption of mobile technology, branch managers had to travel to Cashpor's regional offices to submit reports. According to Verma, "The introduction of the ATOM Application saved 20%-25% of staff time at all levels, as the staff could now send reports (on credit transactions) using their own mobile phones. This allowed Cashpor staff to spend time on saving services."

As the staff was already predisposed to using mobile technology, a mobile application was also developed to help them track their performance. This reporting tool has also helped in real-time monitoring of staff performance, for example, it helps a branch manager monitor the performance of all the CSPs in his branch vis-à-vis their savings targets. This ready referral of targets and staff performance has helped supervisors ensure course correction as and when required.

## Section III:

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### Lessons from Grameen Foundation and Cashpor's Experience in Channel Innovation

A channel innovation can only be called a success if it has had a positive impact on the customers and the organizations involved. The provision of savings services through the use of Cashpor's existing MFI infrastructure has been advantageous for all the stakeholders – Cashpor and its customers, Grameen Foundation, Eko and ICICI Bank.

Cashpor's BC model has provided them with a safe and secure place to save with a trusted intermediary. The savings account has helped them smooth their cash flows and provided the necessary cushion during emergencies. The value of the service to the customer is demonstrated in the fact that 88% of the account holders are active savers in sharp contrast to the all India figures of only 20% active savers amongst No Frills Account holders.<sup>8</sup>

For Cashpor, the transformation from a credit-only MFI to an organization that provides an array of financial services has helped secure customer loyalty and retention. It has aided in optimum utilization of their existing infrastructure and staff time. Cashpor has been able to use the processes developed as a part of this channel innovation to offer other financial products as well, for example the AOF tracker is also used to support a pension product. Likewise Cashpor can employ training programs such as 'Leaders for the Field' to prepare employees for introduction of new services/changes in the future. An important advantage of this channel innovation has been that it has encouraged other banks to partner with Cashpor. In addition to ICICI Bank, Cashpor is also working with other banks to offer credit and savings services. According to Mukul Jaiswal, Managing Director at Cashpor, "In the next five years, we plan to generate 50% of Cashpor's business from BC services."

Likewise, this project has been beneficial for other partners. For Eko, it is the largest deployment of its technology outside Eko's own BC offering remittance services, and therefore, has helped it achieve scale. ICICI Bank has been able to test a non-subsidized branchless banking model and have been able to successfully reach out to more than 100,000 customers in rural areas. For Grameen Foundation, Cashpor's savings services demonstrates a business case for the BC model and creates a template which others in the sector can adopt for increasing access to finance and financial inclusion.

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<sup>8</sup> Ibid

Some important lessons can be drawn from Grameen Foundation and Cashpor's experience in channel innovation. In this section we attempt to collate and distill these lessons for wider application.

- **MFI should work as a channel and a trusted intermediary:** The MFI should act as a channel through which the unbanked can be reached. Cashpor could act as an effective channel as its field teams had a long standing and trusting relationship with the customers that allowed the customers to feel comfortable in opening savings bank account and depositing money.
- **Leverage technology to ensure last mile outreach:** Mobile technology is a cost effective way to ensure last mile reach. At Cashpor, mobile technology has been extensively and effectively used to provide savings services to poor women and also streamline internal reporting procedures for staff.
- **Focus on what works best for the customer:** While developing alternative channels, there is always a danger of investing time, effort and resources on innovations especially using technology, which may not have the greatest benefit for customers. Customer centricity helped Cashpor focus all efforts on developing processes and systems that have the maximum impact on customers such as the AOF Tracker or simple mobile applications that help staff view their targets and performance.
- **Manage the pace of change and innovation:** Change has to be introduced gradually in phases and the pace of change needs to be managed. The changes Grameen Foundation introduced at Cashpor were paced and often sequential in their degree of complexity, be it staff capacity building programs or integration of saving targets in performance evaluation. Most processes and systems evolved during the course of the project tempered by the realities of the field deployment.
- **A successful channel innovation takes an immense amount of time, effort and resources:** Donors, policy makers and supporting organizations need to be patient and invest in a channel innovation with a long term view as it takes a lot of time and effort to devise an effective channel to deliver financial services, particularly since there are no ready-made models. As Mishra states, "Learning takes time. When we rolled out savings services we faced a lot of problems; the CSPS found it easy to sell credit, but they faced problems in talking about savings. Gradually, the CSPs have learnt how to sell the NFAs and are now dealing with challenges in marketing fixed deposits and recurring deposits."
- **Channel innovation is not simple, and change is a complex process:** Cashpor's experience indicates that change needs to be consciously managed and cannot happen on its own. The channel innovation succeeded because the Cashpor management recognized that it is not simple to change ones' identity and the way of working. Says Ohri, "For change to be successful, mindsets need to adapt to the change and a realization that there is a big change happening has to set in." In Cashpor's case they had to transform from a credit-only MFI to a bank BC that entailed changes in almost all aspects of their working. Moreover, the entire organization needs to buy into the idea of change.

## Section IV:

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### Conclusion

Grameen Foundation did not go in with a blue print to help Cashpor establish itself as a credit-led financial institution. However, it quickly learnt that creating a separate channel would not be sustainable, and hence, the channel innovation evolved as the organization transformed itself. From the supply side, adoption of technology early on in the project has emerged as a vital reason for its success. Besides adoption of technology, consciously managing the process of identity transformation through capacity building programs and incentive schemes for staff also played a key role in integrating savings in Cashpor's operations. Likewise on the demand side, sensitization initiatives and financial literacy campaigns have been launched to create awareness about the benefits of savings amongst customers. These initiatives have helped in not only increasing account enrolments but also in bringing down dormancy levels.

Even though the main goal of channel innovation is to improve customer access to financial services; this project shows that a successful channel innovation has far-reaching benefits for the organization as well; for Cashpor it has facilitated optimization of its existing infrastructure to scale up in a cost effective manner.

The Grameen Foundation – Cashpor experience makes a compelling case for channel innovation in increasing access to finance. It demonstrates that although channel innovation is a complex process, it can effectively administered by adopting a customer centric approach and carrying out the changes in a phased manner. It is important for all stakeholders to realize that channel innovation is time and effort intensive process and organizations should engage it in with a long term perspective.

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## Annexure I: About the Project

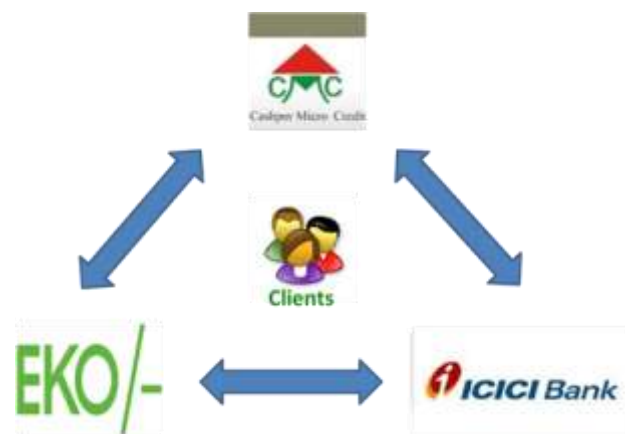
Small savings solutions create big impact for the underserved. Goddi lives in Dewhai, a small village 75 km from Varanasi. She is 30 years old and is married and has four children. She and her husband own six buffaloes, and earn an income by selling milk. Goddi first heard about Cashpor from her fellow villagers. She needed money to invest in the farm and to buy animals, so gaining access to credit from Cashpor was a good fit. A few months ago, a Cashpor field officer told her about its savings account and how it could help her to save in order to provide security for her family.

Goddi didn't think twice about it – she opened an account immediately and began depositing her savings there. She puts money in her savings account every week, even if she only has 10 rupees (\$0.20) to deposit. This is her first savings account at a bank; before this, she used to hide money in rice bags, and rats would occasionally get into the bags and eat her money. With her savings account at Cashpor, Goddi can be assured that she is saving money in a safe place and can access it if she chooses to grow her business or needs to pay for an emergency expense.

An estimated 145 million people in India are unbanked. Only 55% of Indians have a deposit account in a bank and a mere 9% have credit accounts.<sup>9</sup> Less than 20% of individuals own any kind of life insurance and less than 9% own any other type of insurance.<sup>10</sup> Last mile reach and appropriate products are major challenges in financial inclusion, and the RBI is trying to correct this through various policy measures such as promotion of No Frill Accounts (NFAs) in 2005 and the technology driven Business Correspondent (BC) Model in 2006.

The BC model has, since then, become an important component of the financial infrastructure in rural India, and has become the primary channel through which NFAs are offered.<sup>11</sup> As of March 2012, a total of 96,828<sup>12</sup> customer service points (CSPs) have been set up in villages that have no banks. We, at the Grameen Foundation, saw an opportunity to provide savings services to the poor leveraging the business correspondent approach and mobile savings solutions.

Grameen Foundation's Microsavings Initiative, a three-year project funded by the Bill & Melinda Gates Foundation, is working to enhance access to safe, flexible and convenient



<sup>9</sup> Speech of Dr K.C. Chakrabarty, Deputy Governor, Reserve Bank of India on 'Financial Inclusion' at St. Xaviers College, Mumbai, India September, 2011. Retrieved from <http://rbidocs.rbi.org.in/rdocs/Speeches/PDFs/FIC060911DG.pdf>

<sup>10</sup> Ibid

<sup>11</sup> Tyler, E., Ravi, A. et.al. "From Social Banking to Financial Inclusion: Understanding the Potential for Financial Services Innovation in India" Washington D.C: New America Foundation, 2012. Retrieved from [http://newamerica.net/publications/policy/from\\_social\\_banking\\_to\\_financial\\_inclusion\\_understanding\\_the\\_potential\\_for\\_fin\\_0](http://newamerica.net/publications/policy/from_social_banking_to_financial_inclusion_understanding_the_potential_for_fin_0)

<sup>12</sup> Sa-Dhan. "Financial Inclusion: A Study on the Efficacy of Banking Correspondent Model". India: Sa-dhan and Citi Foundation, 2012. Retrieved from [http://www.citigroup.com/citi/microfinance/data/business\\_cor\\_study.pdf](http://www.citigroup.com/citi/microfinance/data/business_cor_study.pdf).



deposit accounts for poor households by building poverty-focused savings programs at microfinance institutions. As part of this initiative, Grameen Foundation has been engaged in a three-year project to assist Cashpor in its transformation from a credit-only MFI into a BC. Grameen Foundation India launched a three-way partnership with Cashpor, ICICI Bank and Eko Technologies to provide saving bank accounts to Cashpor’s customers. In this model, Cashpor acts as the business correspondent for ICICI Bank, using its extensive field network to originate and service the NFAs. The services are delivered using the technology partner, [Eko India Financial Services Private Limited \(Eko\)](#)’s mobile-enabled system in coordination with Cashpor and ICICI’s back-office.

Cashpor has used its existing branches and infrastructure to deliver saving services. Its center managers also act as CSPs. These CSPs need to undergo a verification process and be empaneled by the bank. Cashpor customers can open their NFA accounts and make deposits and withdrawals during weekly center meetings, which are facilitated by the center managers (empanelled CSPs) using the mobile phone. They can also check their balance at any time via the phone. Customers can also withdraw and deposit money at Cashpor branches.

### Grameen Foundation’s Role in the Project

Grameen F conceptualized and initiated this project to facilitate saving services to the poor in India, who have limited avenues to save. It is managing the project at the BC level, and supporting Cashpor to transition from an MFI providing credit only to an organization that is offering a range of financial services to the poor, including savings, in a sustainable manner. Below are some of the areas where Grameen Foundation is directly supporting Cashpor. Grameen Foundation’s aim is to explore how the BC Model can be developed so that it is able to serve the poor in a financially and operationally sustainable manner.



**Project Management:** Ensures that all aspects of our work are integrated as we facilitate the entire process required for credit-only organizations to offer savings products.

**Change Leadership:** Facilitate changes required to transform Cashpor from a credit-only institution to one that incorporates savings through appropriate interventions such as capacity building of staff.

**Market Research & Product Development:** Focuses on qualitative and quantitative market research, which is critical to designing the right product to meet the needs of poor clients

**Data Analytics:** Helps Cashpor better understand their client base through usage of tools such as the Progress out of Poverty Index® (PPI).

**Information Technology:** Focuses on the front- and back-end technology changes required to successfully offer a mobile-based product.

**Marketing and Financial Education:** Involves designing and helping Cashpor implement effective financial literacy tools which increase participation in the savings project.

## Impact

The enrollment numbers in the project demonstrate that the initiative has helped meet the demand for a reliable and safe place for Cashpor customers to keep their money. The savings service is offered at 131 branches in eight out of 20 districts that Cashpor operates. As of March 2013, more than 120,000 customers have opened accounts with an average savings balance per member of INR 248 (~US\$4.16). According to a Sa-Dhan study<sup>13</sup> on the efficacy of the BC model, Cashpor is one of the successful models the study encountered. The study highlights captive customers, low cost technology and usage of existing Cashpor infrastructure to provide BC services as some of the reasons for this success.

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<sup>13</sup> Sa-Dhan. "Financial Inclusion: A Study on the Efficacy of Banking Correspondent Model". India: Sa-dhan and Citi Foundation, 2012. Retrieved from [http://www.citigroup.com/citi/microfinance/data/business\\_cor\\_study.pdf](http://www.citigroup.com/citi/microfinance/data/business_cor_study.pdf).