

MicroSave India Focus Note 79

Graduating SBI *Tatkal* Customers

Abhishek Lahiri, Sharad Bangari and Swati Mehta

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Introduction

MicroSave India Focus Note 68 discussed the success of the new *Tatkal* product, a direct deposit product offered by State Bank of India (SBI) through the business correspondent (BC) channel with specific reference to the case of Eko, a BC based out of Delhi. Eko has managed to use this product as the real hook, which now contributes more than 75% of gross transactions, thus, improving the business case for not only Eko, but also its agents.¹ SBI is particularly happy since this has decongested their branches in urban areas.²

This Note discusses when and why customers may be ready to try new services beyond the entry *Tatkal* product and how business correspondent network managers (BCNMs) could leverage the increased footfall at their agents' outlets due to *Tatkal* by cross-selling other financial products, to graduate customers to use a wider range of m-money services.³

Customers' Readiness to Graduate

During *MicroSave's* field research, three key drivers for *Tatkal* users' readiness to adopt new products and services emerged. These are:

1. **Trust** – Customer's trust in the bank's brand (SBI in this case) and the relationship built with the BC agent, a local person, are the main source of trust in the *Tatkal* product. More than the BCNM's brand, it is the bank's brand and logo, which inspires customer's confidence and belief that a) their money is safe and b) the agent appointed by the bank will be trustworthy.
2. **Past Experience** – The experience with *Tatkal* has also instilled confidence in the BCNM's brand, which was one of Eko's major challenges. The research showed that due to good past experience with the BCNM, customers perceive that any new offerings would also be need-based, convenient and cost effective.
3. **Immediate proof of transaction** - *Tatkal* users receive confirmation SMS (mobile banking) or a physical receipt (kiosk/POS banking) from the agents after each transaction. While a confirmation from the recipient is necessary, it is usually delayed unless the recipient has activated SMS or

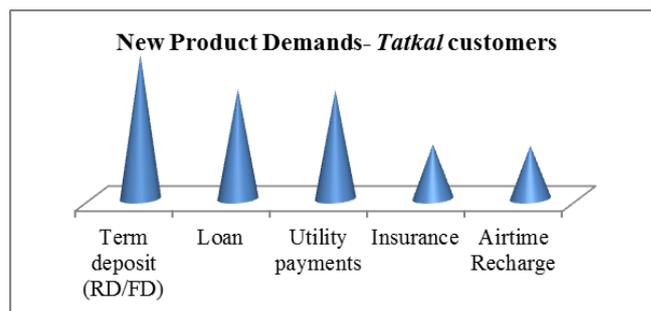
internet banking. In such cases, an immediate proof of transaction serves as a strong physical and visual evidence for them.

Customers who use *Tatkal* frequently were more open to trying new products sooner than those who do not use the product as often. Most customers who indicated readiness to try new services mentioned that they would like to first test the products and compare the benefits with other service providers. Once the initial set of early adopters is acquired, Eko could incentivise them to promote word-of-mouth publicity (through referral schemes) to other customers.

What Products do *Tatkal* Customers Want?

The following section presents the products that existing *Tatkal* customers (interviewed during the research) were most interested in and which BCNMs can strategically cross-sell to this newly acquired, massive, customer base.

Basic savings⁴ (already offered by BCNMs) was still important for *Tatkal* users, especially those using it for personal remittances⁵ (i.e. sending money home) and wanting to set aside small amounts each day at home, or with their employer, before they send a lump sum home. BCNMs could cross-sell the no frills account (NFA or a typical savings account) already available at the BC agent to such users.



Recurring deposits (RDs) topped the wish list for new products across occupations. Those who were self-employed wanted the flexibility to deposit anytime in their RD account. The demand was also high with migrant daily wage labourers who do not have a local bank account to save in, due to lack of the necessary KYC documents.⁶ Salaried customers were also highly

¹ CSPs, or Customer Service Points, are Eko and SBI authorised agents (typically a grocery/mobile airtime shop).

² During a research with *Tatkal* agents/customers, it was observed that bank branches consciously divert small-value deposits (less than Rs. 10,000) to BC agents to decongest their branches.

³ This is based on brief qualitative research conducted with *Tatkal* customers and CSPs of Eko in Delhi and Bihar (23 customers and 6 CSPs were interviewed). This has been supplemented with another Action Research Partner of *MicroSave* offering the *Tatkal* product.

⁴ The basic savings account (or No Frills Account) is not included in the chart since it was already being offered by Eko and other BCNMs. However, it can be re-launched with changes in features and positioning to ensure better take up and usage.

⁵ *Tatkal* customers use the service for business payments (to suppliers, etc.) in addition to personal remittances.

⁶ *MicroSave* studies across Asia and Africa (and the book [Portfolios of the Poor](#)) have also shown that the poor often prefer RD products, as they provide flexibility in terms of tenure and amounts and instills discipline in saving regularly.

interested in an RD, but the deposit frequency would need to be matched with their salary payments. These deposits could be made through linking the NFA with the RD account. Salaried workers with fixed incomes, and the self-employed who often have seasonal income, also wanted fixed deposits (FDs).

Utility payments for services such as electricity, water, and cable from other companies were also in demand due to the pain of travelling to the related offices and waiting in queue to pay the bills. This service was especially demanded by permanent residents of Delhi (mostly belonging to Segment 3 in the table below) who were willing to pay a premium to access these services at an agent outlet.

Segment	Product demand
1. Daily wage labourers	NFA/basic savings + RD + Mobile recharge
2. Salaried	RD/FD + Loan products + Life insurance
3. Self-employed: Petty shop owners/ Small businessmen	Savings account + FD + Loan products + Life/general insurance (including payment of insurance premium) + Utility payments

Insurance, both life and general, was demanded mostly by segments 2 and 3 (as mentioned in table above). Businessmen want general insurance products for their inventory stock to save the hassle of going to insurance offices during business hours. Salaried users who are married want a life insurance product, as they want monetary security for their dependents.

Other product demands that came up during the research were overdrafts (ODs) on the savings account (mostly for the business community), loans and airtime recharge linked to the savings account.

Graduating *Tatkal* Users: A Phased Approach

A phased approach (with at least 3-4 months for each phase) to graduate these customers would likely be prudent instead of introducing all products at once. This would provide an opportunity for the bank and the BCNM to understand customer response, identify marketing gaps, and also allow agents the time to manage these new products. These products could be introduced in the following two phases.

Phase I: Introduce Savings and Payments Products

- ✓ Focus on no-frills account (NFA) or savings account (SA)
- ✓ Recurring deposit (linked to NFA/SA)
- ✓ Utility payments
- ✓ Fixed Deposits

The overall goal would be to first encourage customers to open a savings account that would link to other products (such as RD/FD accounts and utility payments). The target segments would be migrant

labourers and salaried workers who do not have a local bank account. The NFA could be offered to those who send their entire balance home each month. A regular savings account (with minimum balance, ATM access, and cheque deposits) could be offered to those who are slightly better off and who can maintain a minimum balance. The RD account can be promoted among migrants as an account to save for larger, planned expenses around festivals when they must send higher amounts home. Utility payments could be a natural extension of *Tatkal*. Given that people are willing to pay a premium for such convenience, this product could be marketed extensively especially amongst residents of bigger cities such as Delhi.

This product strategy could be supported with targeted marketing such as referral schemes, SMS blasts, initial free trials and discount schemes. Below the line marketing, such as informational and account opening canopies, would help the agents cross-sell these new services to *Tatkal* users.

Phase II: Introduce loan and insurance products

- ✓ Overdraft
- ✓ Working capital loans
- ✓ Other tailored, short-term loans
- ✓ Insurance products

Once the customers have an established transaction history with the bank and their creditworthiness can be ascertained, then asset products such as overdrafts and business loans can be introduced. The target segments for this would be small businessmen and petty shop owners. Anyone who has maintained a good savings history or has an RD/FD with a certain level of transactions or balances could be eligible for the overdraft.

The BCNM could alternatively act as a sourcing partner for an MFI, which would conduct due diligence and take on the balance sheet risk for working capital or other short-term loans. Insurance products could be bundled with loans or offered separately, such as for life insurance, and then offered as a “utility payment” when premiums become due.

Conclusion

Tatkal was introduced at a time when BCNMs were struggling to gain visibility and trust among their target segments, as the NFA product alone was not sufficient to meet customers’ expressed needs.⁷ This is evident from the widespread inactivity/dormancy experienced for NFA accounts. *Tatkal* has given BCNMs an opportunity to gain visibility and improve the business case through increased volumes. The focus should now be to maintain customer service levels and gradually expand the product mix.

⁷According to an aggregate estimate from *MicroSave's* 2010 research reports, and 2008-09 CGAP, IFMR and Skoch Development Foundation figures, in most areas, only 20% or fewer use their accounts for small savings