

Case Study

FINO-Tatkaal

November 2010

Governance Knowledge Centre

Promoted by Department of Administrative Reforms
and Public Grievances
Ministry of Personnel, Public Grievances and Pensions,
Government of India
<http://indiagovernance.gov.in/>

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Executive Summary

Traditionally, fund transfers from point A to point B were executed in the form of money orders through a post office or a limited number of banks (with restricted access). The process was long, inconvenient and costly.



Figure 1: FINO Office, Dharavi, Mumbai

FINO-Tatkaal, a smart-card based remittance banking system, emerged during a time when the Indian banking system was undergoing dramatic changes. Namely, the business correspondent (BC) model, whereby agents would facilitate transactions at the customers' doorstep, was becoming increasingly popular. Since then, Financial Information Network and Operation Ltd. (FINO), a subsidiary of ICICI, has managed to capture 90 percent of the market share nationwide in the BC sector. The emergence of the BC model, combined with the heavy demand of migrants in Mumbai to remit money to their family members back home, largely in the states of Uttar Pradesh and Bihar, brought supply and demand to an equilibrium that could be exploited to the benefit of this largely ignored sector of society.

FINO-Tatkaal operates in three slums of Mumbai - Dharavi, Ghatkopar, and Shivajinagar – where migrant populations are highest. The system relies heavily on trust between local agents and the migrant remitters. To date, FINO-Tatkaal has successfully managed to pick local champions who fellow slum dwellers trust with their money.

There are a few significant advantages to the programme. One of the greatest benefits is the breeding of a savings culture. Due to the low cost of transactions – 25 rupees for a 10000 rupee remittance – as opposed to the earlier exploitative moneylender rates, FINO customers tend to save and remit incrementally, instead of sending lump sums of money after longer periods of time. The second advantage to the programme is the door-to-door



Figure 2: FINO 'pod' machine

banking model. This allows for workers, such as small shopkeepers, to conveniently remit money without sacrificing time that could be spent maintaining their livelihood.

Since its inception in 2009, FINO-Tatkaal has succeeded in servicing approximately 3000 migrant remittances per day. Its success can be attributed to its low user fees, convenient BC model, and an end-to-end streamlining of banking – from enrolment to continual and consistent access.

Background

In the past, banks have found that the overwhelming amount of migrant remitters tend to crowd their larger branches in major cities. As a result, many have implemented restricted time schedules or allotted quotas for which customers of rural or remote branches can submit remittances. The inconvenient system has allowed FINO to develop a new system to better cater to this market.



Figure 3: FINO transaction

FINO-Tatkaal was launched in 2009 as part of the larger financial inclusion banking programme that includes savings and loans. The programme focuses on the migrant dwellers, largely from Uttar Pradesh and Bihar, who live in slums of Mumbai - Dharavi, Ghatkopar, and Shivajinagar. Migrants are commonly found working as hawkers, auto rickshaw and taxi drivers. This sector of the population was targeted both because of lack of access to banks, yet also a need to remit money to family members back home. Banking access is difficult for migrants because they are unable to complete the necessary 'know you customer' (KYC) forms that require proof of identity and residence and moreover, find themselves living hand-to-mouth therefore cannot manage to maintain a minimum amount of money in the bank.

In order to overcome these barriers to banking, FINO-Tatkaal provides a comprehensive solution. First, FINO card holders can open 'no frills' bank accounts, which means that no balance is required. Second, FINO employs officers – operators and local agents – who respectively help to enrol customers and collect doorstep remittances. FINO-Tatkaal also operates on an insta-card model – a smart card that holds the digital account information of each customer - which acts as the identity proof they require.

Objective

To assist migrants in accessing banking facilities for remitting of money back home. To provide a convenient, reliable, and low-cost solution for slum-dwellers who wish to transfer money to their rural banks accounts.

Working Design

There are three FINO slum-based offices in Mumbai, 60 local agents and 25 operators. Each office and doorstep agent facilitates savings, loan payment and remittance transactions. Some customers prefer to visit FINO offices directly, while others wait for the agent to come around with a 'pod' – a smart card reader and digitally linked tool to the mainframe of the bank accounts' server – to collect their money. The male to female ratio of customers who visit the Dharavi office is approximately 80:20; anecdotally, women are said to be conducting transactions on behalf of their husbands. Office hours are 9AM to 2PM and 3PM to 6PM. Agents attend to a specified area of their community. Agents are required to facilitate at least 100 transactions every 25 days.

The doorstep model begins with an agent entering his/her community to facilitate transactions. Customers give the agent their FINO card and place their thumb on the pod to biometrically scan their fingerprint. Once the customer is recognized by the system, the agent collects and digitally records the money. A receipt is printed on the spot which contains the:

1. URN number (FINO unique ID)
2. Amount of transaction
3. Bank account number
4. Agent name
5. Remitter name
6. Time of the transaction
7. Agent TID (unique pod number)
8. Customer TID

Monitoring of FINO agents is threefold. Firstly, agents are a part of the community that they serve. Hence, there is a certain amount of trust between them and their customers that prevent them from running away with the money they handle. A cash management system is in place where the agents' 'pod' used to conduct doorstep transactions has a limit of 20000 rupees. Agents also have an overdraft limit of three lakh on their own FINO card. The agent must deduct every 20000 rupees from their overdraft, and once the maximum overdraft is reached,

they are required to visit the nearby FINO office to renew their overdraft and sync up their transactions with the central database.

Box 1: Dharavi Slum



Figure 4: Marie FINO agent facilitates Dharavi customer transaction

Dharavi is the largest slum in Asia – it has a radius of .53 kilometres. Many Dharavi residents are migrants who work hard to support their families back home. Marie is one of the 20 local FINO agents from Dharavi. She is originally from Tamil Nadu, but moved to Mumbai after marriage 18 years ago. Before becoming a FINO agent, Marie was a schoolteacher. Three years ago, FINO employees came to the school where she was teaching to promote their financial inclusion programmes. Being a migrant herself, Marie expressed an interest in setting up an account for her own remittances. At that moment, FINO encouraged Marie to become an agent. Marie decided that the work would be interesting, helpful for her community, and that she would also get an increase in her salary, so in 2007, she began working as an agent for FINO.

Today, Marie's work day begins at 9AM and finishes at 6PM. Recently, she has been posted to sit in front of a Union Bank of

India (UBI) to inform customers of FINO cards and solutions. In the morning, before going to UBI, she follows her route through Dharavi to collect savings, loan payments and remittances.

Nowadays, Marie collects money from whoever calls her, but initially, she says her role as agent to spread awareness was crucial. Marie says she dealt with approximately 50 to 60 customers per day when she first began working as a FINO agent. Now, she facilitates enough transactions to fill the pod (savings, loans payments, and remittances) which has a limit of 20,000 rupees every day. In fact, Marie says that one of the drawbacks to the current system is that the 3 lakh overdraft limit is too small, which requires her to constantly return to the FINO office. Today, some customers have also begun going directly to the FINO office instead of waiting for her to come to their doorstep.

Thelwallas are her largest segment of customers because they are not very educated therefore they do not know how to approach a bank. Also, they are immobile because they cannot leave their thelle unmanned.

While walking with Marie in Dharavi, four local customers completed transactions. The first was Abdul Rahiem, a kabaadi shop (recyclable shop) owner. The second was a kiraana shop owner from Gorakhpur, Uttar Pradesh. He uses both the State Bank of

India (SBI) and FINO. He uses FINO because it is difficult to go to the bank all the time, but sometimes his wife can go to the bank directly. The third customer was a chaatwalla who saves about 50 rupees everyday. He had lost his first FINO card which had a balance of 500 rupees. But since the process of recovering the card was taking time, he was given a new one. His lost money is a pending issue. The fourth customer is a watch repair shop owner from Tamil Nadu. He deposits money into a FINO savings account and then takes it out in large increments to send it to his Tamil Nadu bank branch.

Marie says that her community is learning to save and the number of customers is increasing. At the outset of the programme, she says that her community didn't trust the system, so she and the other agents went house to house and encouraged people to begin with small amounts and wait to see the results. They revisited houses multiple times to finally convince people to become customers. Once a few people were convinced, the programme spread rapidly by word of mouth.



Figure 5: FINO-Tatkaal customer from Dharavi

Methodology

OneWorld researchers identified FINO-Tatkaal as a best practice in public service delivery based on its unique and expert ability to provide the poor with an opportunity for improved economic well-being.

After conducting desk research through limited existing documentation (including the FINO website), researchers visited the Mumbai headquarters of FINO. There the FINO CEO was interviewed to learn about the history and background of the Tatkaal programme. Researchers travelled to the Dharavi office, where they observed transactions, interviewed the head of the office and met with a Dharavi agent. The agent took researchers around Dharavi slum, explained how the doorstep model works, and provided anecdotal evidence of how customers are benefiting from the system.

FINO-Tatkaal has expanded to New Delhi and this documentation aims to be a launching point for further replication.

Lessons Learned

Capturing the target market

In merely one year, FINO has managed to expand their transaction load by 60 percent through the implementation of the Tatkaal programme. With a near monopoly on the doorstep banking model, and its recent expansion of the Tatkaal programme to New Delhi, FINO only shows promise of greatly increasing its transaction load.

Gaining Trust

At its outset, FINO-Tatkaal faced the challenge of convincing users of a new technology and an unknown service provider. At first, they managed to do this by partnering with the Union Bank of India and telling users that it was a UBI programme. Over time, FINO operators have said that customers learned to differentiate between the two entities and now know that FINO and UBI are working together, but are different providers.

FINO agents, although residents in the same slums that they service, worked hard to encourage migrants to take part in the Tatkaal programme. Once they succeeded, awareness about the programme and participation in it rose and continues to rise through word-of-mouth.

Convenience, Low-cost, Reliability

Today, the Indian banking system is moving towards an instantaneous model, but continues with a time lag between processes. As such, remittances through FINO-Tatkaal are only received in the transaction day plus one day. However, although this time lag remains, customer time is saved through doorstep services.

Furthermore, the FINO model is much more affordable than the earlier rates charged by informal banking entities. Additionally, the FINO system is made reliable through transparent digital processes and locally picked facilitators.

Constant Refinement

Currently, there are a number of enhancements envisioned for FINO-Tatkaal. The major addition would be the card-to-card process, whereby the person receiving the remittance could receive the money directly and easily through a FINO card. Currently, the model is paired with the Union Bank of India (UBI). As such, only direct transfers between UBI branches are possible. However, the plan is to make intra-banking possible. Lastly, the FINO-wallet programme is in the works. This would allow for the sending of remittances through mobile technology.

End-to-end monitoring

All transaction data is centralised and monitored by local and head FINO offices. Agents are monitored both by their own community and FINO operational rules and regulations. The community holds the agent responsible for the transferring of their money into the right hands. FINO requires agents to incrementally sync their pod with their FINO card, and visit the FINO office after transactions exceed their 3 lakh overdraft limit.

Sustainability and Scalability

Today, FINO-Tatkaal has an annual turnover of 60000 crores which is comparable to the large and long established sectors of petroleum, telecom, and IT. It services more than 10 crores customers in transaction volume (eindia.net.in). The sheer quantity of transactions indicates a high demand for the service and wiliness of the customers to pay the nominal user fees. As a result, it is reasonable to say that the programme is financially and environmentally sustainable. Moreover, new lower cost technologies, such as mobile, are envisioned for further expansion. This would lower expenditure and further ensure financial sustainability.

The programme has been scaled up from Mumbai to New Delhi. It is clear and streamlined processes are easy to understand and implement and make it a strong candidate for further replication.

Research was carried out by the OneWorld Foundation India (OWFI), Governance Knowledge Centre (GKC) team.

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