



IMTFI

INSTITUTE FOR MONEY, TECHNOLOGY
& FINANCIAL INCLUSION

Executive Summary

Mobile Money as A Complementary Form of Savings A Study of EKO's SimpliBank in India by Mani Nandhi

Old and New Savings Platforms in Contemporary India

In 2011, 65% of India's population did not have access to a bank account. Nevertheless, India's so-called "unbanked" save by other means for everyday expenditures and emergencies. Traditional forms of saving include leaving money in *gulaks* (Fig. 1), with trusted friends or relatives, or in savings clubs. Many of these practices, however, are often risky or inefficient.

From Ghana to Papua New Guinea, mobile money services have emerged as a safer and more efficient savings mechanism. Mobile money provides a means of financial inclusion for the unbanked. In India, there are now six mobile money services enabling banking at very low cost.

How are these mobile money services affecting financial practices on the ground?

This study by IMTFI researcher Mani Nandhi looks into the impact of EKO's SimpliBank on the saving practices of low-income mobile money users in Delhi, India.



Fig. 1. Clay *gulaks* of different shapes and sizes in a Delhi market. Photo courtesy of Mani Nandhi.

Case Study 1

Saving in Small Bits through EKO Accounts

Seeta, a slum dweller, is a part time house maid in two houses and earns a meager INR 2500 (USD 50) monthly. She lost her bank account some time ago because she could not maintain the required minimum balance. Seeta needed an inexpensive alternative for saving in small amounts of INR 10, 20, and 50 for emergencies and unexpected expenses. A retail shop owner in her neighborhood recommended that she open an EKO mobile money account.

Like many other "unbanked" in India and beyond, in times of need, Seeta would borrow money from one of her employers. One time, she faced a medical emergency and desperately needed cash to buy medicine. Alas, her employer was out of town and could not be reached. She had no one else to turn to for an immediate loan. Luckily, she was able to withdraw INR 100 (USD 2) from her EKO account. Seeta was relieved to have found an affordable and reliable source of emergency funds in her mobile money account.

Based on interview by Mani Nandhi, held on November 2-3, 2011.

EKO's SimpliBank

Launched in 2007 in the cities of Delhi and Bihar, through a partnership between EKO Aspire foundation / EKO India Financial Services Pvt.Ltd and The State Bank of India (SBI), EKO's SimpliBank is a mobile banking service that enables savings, money transfers, and payments through one's cell phone. In EKO's model, the mobile number serves as the number of a no-frills bank account. The money deposited in the account remains with the bank and not with EKO and the account holder receives 3.5% interest annually. Compared to other local banks, EKO's SimpliBank offers significantly lower transaction costs.

SBI branch transaction cost: INR 68 (USD 1.45)

EKO's transaction cost: INR 10 (USD 0.21)

Mobile Money Shaping Financial Behavior



Fig. 2. EKO account combines mobile technology with affordable banking services. Photo courtesy of eko.co.in

Nandhi's study indicates that EKO accounts are a preferred means of savings and payments because of added convenience and safety at lower transaction cost (Case Study 1).

Additionally, the study suggests that mobile money is not just a passive service but also an active force improving people's financial habits and transforming the broader ecology of payments. A large majority of respondents in the study, for instance, claimed that EKO mobile accounts provided an incentive to deposit the extra cash in their no-frills accounts rather than spend it on unnecessary purchases.

This preliminary finding speaks to the broader concerns of IMTFI regarding the potential of mobile technologies and their users in transforming the very forms and uses of money in the contemporary world.

EKO is Safer and More Efficient for Saving in Small Amounts

90% of EKO account holders say that the service provides a safer and more efficient alternative for saving in small amounts than saving in gulaks or keeping cash at home or in person.

Improves Saving and Spending Habits

EKO account holders suggest that mobile money has improved their overall spending and saving behavior. 59% of the informants noted that EKO helped "prune wasteful spending."

Coexists With Other Savings Systems

Like Shyam (Case Study 2), many engage in multiple savings systems, using each for a specific type of investment.

57% of the informants, for instance, used EKO accounts for saving for emergencies.

EKO Mobile Money and the Future of Payments Systems

The success of mobile money in the developing world (such as M-PESA in Kenya) and the increasing use of credit cards and online payment services in the advanced economies has led many to proclaim the "end of cash." Nandhi's findings suggest that this call may be premature.

While giving preference to EKO mobile money over other forms of storing cash (at home, with other people, or with committees), the informants in the study continue to combine these various alternatives.

For one thing, many expressed the concern that transaction costs will rise as mobile money gains more popularity and customers.

More generally, it seems that it is precisely this diverse and complementary use of new and existing savings mechanisms that enables people to manage and invest money more creatively.

Case Study 2: Shyam's Multiple Savings Systems

44-year-old Shyam works as a mason on a contract basis, earning about INR 7000 (USD140) monthly. He already had a bank account before opening an EKO account. He has been saving in a Committee for his daughter's marriage and his children's education and in the Life Insurance Corporation (LIC) for old age and sickness. When he started using his EKO account, he found it a convenient medium to deposit money. He has been depositing varied amounts instead of keeping cash on person. But he pays his monthly contribution for the Committee and LIC from his cash earnings and not from the EKO account, which he uses to meet unexpected expenditures. While continuing to use the Committee and LIC for specific types of expenditures, Shyam feels that his EKO account has improved his overall savings.

Based on interview by Mani Nandhi held on August 20, 2011.

Read the full report of Nandhi's study [here](#).