



# UJJIVAN SMALL FINANCE BANK

## Micro Deposits for Financial Inclusion

### Abstract

Over the last decade, financial inclusion initiatives in India have expanded access to formal banking services. However, account ownership has not always led to sustained banking behaviour or active financial participation among underserved populations. Many low-income customers still mainly use credit products and remain outside structured savings systems. Ujjivan Small Finance Bank addressed this challenge through its innovative “Enabling Micro Deposit” initiative. This customer-centric intervention was designed to foster savings behaviour among microfinance customers by enabling automated micro deposits during EMI repayment. Inspired by the traditional Indian “Gullak,” the initiative let customers round up their EMI payments to the nearest hundred, with the extra amount deposited into their savings accounts in real time. The project blended behavioural finance, digital integration, operational changes and real-time communication to turn inactive savings accounts into active financial instruments. It was implemented within three months by integrating BR.Net with the Finacle Core Banking system.

**Introduction** Ujjivan Small Finance Bank launched the “Enabling Micro Deposit” initiative to solve a core microfinance problem: despite opening many savings accounts, most stayed inactive because customers lacked structured savings methods and regular saving habits. The Bank found that microfinance customers frequently paid EMIs in non-round figures. This caused operational inefficiencies as loose cash needed to be managed. At the same time, customers had few chances or motivations to save small amounts formally in the banking system.

Inspired by the traditional “Gullak” savings culture in Indian households, the Bank launched a new system. EMI repayments were rounded to the nearest hundred. The remaining balance was instantly deposited into the customer’s savings account. The project integrated the

Bank’s microfinance systems with the Finacle Core Banking infrastructure. This integration enabled real-time deposits, instant SMS confirmations and seamless operational workflows for field staff.

The initiative generated significant outcomes. Over 25 lakh savings accounts became operative. Average balances among micro deposit customers increased by 29.4 percent versus non-micro deposit customers. Monthly transaction activity doubled. The Bank mobilised over ₹100 crore in deposits while also reducing costs associated with dormant account communication.

**The Problem Statement** India's financial inclusion journey has successfully expanded access to formal banking systems, particularly among underserved and low-income communities. However, access alone has not ensured active participation in banking. A significant number of savings accounts opened under financial inclusion initiatives gradually became inactive due to limited savings behaviour and a lack of meaningful customer engagement.

Ujjivan Small Finance Bank identified this issue acutely within its microfinance customer segment. Although the Bank opened savings accounts for customers alongside microfinance loans, nearly 80 percent of these accounts became inoperative because customers lacked consistent mechanisms or motivation to save.

The challenge was deeply behavioural as well as operational. Most microfinance customers relied heavily on credit products for financial support but did not perceive themselves as capable of saving, particularly within formal banking systems. Savings were often associated with larger disposable incomes, whereas small denominations and residual cash amounts were considered insignificant.

Operational inefficiencies added to the issue. Loan EMIs were usually not rounded to the nearest whole number. Customers and loan staff had to handle loose change during EMI collections. Loan officers needed to carry a lot of small denominations while managing group collections. This raised complexity and lengthened transaction times.

The Bank also had broader business and operational concerns from inactive accounts. Dormant accounts reduced customer engagement and limited cross-selling. They increased communication costs and weakened customer relationships in the long term.

**Solutions Stack** The "Enabling Micro Deposit" initiative used a simple but highly scalable operational and technological model integrating behavioural finance, digital banking and real-time transaction processing. The key solution was to round EMI payments to the nearest hundred during collections. The rounded-off amount was instantly deposited as a micro-deposit into the customer's savings account.

For example, if a customer's EMI amount was ₹1,942, the customer could pay ₹2,000, with ₹58 automatically credited to the savings account. This eliminated the inconvenience of loose cash transactions while simultaneously encouraging savings behaviour.

The Bank combined its microfinance collection system, BR.Net, with the Finacle Core Banking System for real-time deposit processing. Loan officers entered both EMI repayments and savings deposits simultaneously through a unified digital interface.

Real-time SMS notifications were another core feature. Customers received instant messages for both EMI payments and savings deposits. This improved trust, transparency and confidence in the system.

### Strategic Vision and Institutional Context

Ujjivan Small Finance Bank believed financial inclusion must go past credit access to build capability and drive changes in saving behaviour. The Bank's strategic vision was based on a simple but powerful idea. Small, consistent savings could build long-term resilience for underserved customers, if supported by easy, accessible tools. Inspired by the "Gullak," a household savings container, the initiative aimed to modernise this savings culture through digital banks.

The Bank designed the project not merely as a deposit mobilisation initiative but as a behavioural banking intervention. It aimed to transform routine EMI payments into opportunities for micro savings without imposing additional financial burden or behavioural complexity on customers.

The initiative's objectives had several goals. First, it aimed to promote savings and financial literacy among underserved customers. Second, it focused on keeping savings accounts active through ongoing micro transactions.

The third objective aimed to reduce operational inefficiencies that loose cash handling during EMI collections caused. The fourth objective involved improving customer engagement and transaction behaviour through real-time banking interactions.

The fifth objective focused on creating new opportunities for deposit mobilisation and digital banking adoption.

### Implementation Journey

The project was initiated in April 2023 and implemented within a three-month period ending in June 2023. The first phase covered brainstorming and idea development. Leaders saw both operational and behavioural opportunities from non-round EMI transactions. The project team realised that loose change in EMI collections could be turned into systematic savings rather than a hassle.

The second phase focused on technological integration. Ujjivan integrated its loan collection platform with Finacle CBS to enable real-time savings deposits during EMI repayments. UX modifications, collection workflows and customer messaging systems were developed in parallel.

The third phase involved operational redesign and compliance validation.

Since the initiative linked loan collections with savings deposits, the Bank had to ensure complete regulatory and statutory compliance while maintaining customer transparency and operational integrity.

The pilot implementation highlighted practical operational issues, including staff workload, customer hesitation and application timeout issues. These were addressed through process refinement, customer education and system optimisation.

The Bank also placed significant emphasis on customer communication. Real-time SMS confirmations became critical for building trust among customers who were initially hesitant to contribute amounts beyond their EMI obligations.

## Implementation Challenges

The implementation process encountered several behavioural, technological and operational challenges. The first major challenge involved customer apprehension. Many customers were initially reluctant to pay amounts exceeding their exact EMI obligations, even when the additional amount was a small denomination. Customers initially struggled to perceive the long-term value of incremental micro-savings.

The second challenge involved technological limitations. After the application launch, the system experienced timeout issues due to longer collection processes during group transactions, negatively affecting field efficiency and user experience.

Operationally, staff had to manually record both EMI and savings entries for

every customer within group collection centers, increasing interaction time and workload for loan officers. Another important challenge involved ensuring full regulatory compliance while integrating savings collection with loan repayment workflows. The Bank had to design processes that were transparent, customer-consented and operationally auditable.

The project team addressed these challenges through process redesign, staff training, real-time customer communication and continuous application optimisation.

## Highlights

- Ujjivan Small Finance Bank launched the “Enabling Micro Deposit” initiative to encourage savings behaviour among microfinance customers by automatically depositing rounded-off EMI amounts into customers’ savings accounts in real time.
- Inspired by the traditional Indian “Gullak” savings culture, the initiative addressed challenges such as inactive savings accounts, lack of structured savings habits and operational inefficiencies caused by handling loose cash during EMI collections.
- The solution integrated the Bank’s BR.Net microfinance platform with the Finacle Core Banking System, enabling seamless real-time micro deposits, instant SMS confirmations and simplified workflows for field staff and customers.
- The project combined behavioural finance, digital banking and operational redesign to improve financial literacy, encourage regular savings, increase digital banking participation and strengthen customer engagement within the formal banking system.
- The initiative activated over 25 lakh dormant savings accounts, mobilised more than ₹100 crore in deposits, increased average balances and transaction activity and demonstrated how small automated savings can drive large-scale financial inclusion and behavioural change.

## Outcomes

The “Enabling Micro Deposit” initiative generated significant business, operational and social outcomes. The most notable achievement involved activating more than 25 lakh previously inactive savings accounts. This substantially improved customer engagement within the formal banking ecosystem.

Micro deposit customers demonstrated stronger financial behaviour compared to non-micro deposit customers. Average balances among micro deposit customers were 29.4 percent higher, while monthly transaction activity was nearly double.

Digital banking adoption also improved. UPI transaction usage among micro deposit customers increased by 2 percent relative to non-micro deposit customers, indicating stronger integration into digital financial ecosystems.

From a business perspective, the Bank mobilised over ₹100 crore in deposits through the initiative. Additionally, annual maintenance charge collections through Trucell generated over ₹2.5 crore.

Operational efficiency improved substantially. Loan officers no longer needed to carry significant amounts of loose cash and coins during EMI collection, reducing handling complexity and transaction friction. The initiative also reduced dormant account communication costs, generating savings of more than ₹50 lakh.

Perhaps the most meaningful outcome was behavioural transformation among customers. Testimonials collected during implementation reflected growing customer confidence in formal savings practices. One customer explained that small savings accumulated over time helped prepare for medical emergencies, while another acknowledged overcoming the belief that saving was only possible for larger amounts.

## Conclusion

The initiative demonstrates how small behavioural interventions can generate large-scale financial inclusion outcomes when supported by appropriate digital infrastructure and customer-centric design. This product has successfully transformed a routine operational inconvenience, handling loose cash during EMI collection, into a scalable savings ecosystem that promotes financial literacy, strengthens banking participation and activates dormant accounts.

This initiative also highlights the importance of behavioural finance within inclusive banking strategies. Rather than relying solely on large financial products or incentives, the Bank leveraged habitual customer behaviour and embedded savings within existing financial routines. By integrating micro-deposits into everyday transactions, Ujjivan has created a low-friction pathway for underserved customers to participate more actively in formal financial systems.



SKOCH GROUP  
GROWTH | LIVELIHOODS | EQUITY  
[www.skoch.in](http://www.skoch.in)

SKOCH

ECO-SYSTEM FOR GROWTH

e-Mail: [info@skoch.in](mailto:info@skoch.in)  
[www.skoch.in](http://www.skoch.in)

**Disclaimer:**

- This case study is based on the information/content provided by the organisation.
- Information published in the case study is as of June 2024.
- All company names, app titles and trademarks mentioned are the properties of their respective owners and are used solely for illustrative and reporting purposes.