INDIA

WAVE 5 REPORT
FIFTH ANNUAL FII TRACKER SURVEY

Fieldwork conducted August-December 2017

June 2018
PUTTING THE USER FRONT AND CENTER

The Financial Inclusion Insights (FII) program responds to the need identified by multiple stakeholders for timely demand-side data and practical insights into digital financial services (DFS), including mobile money, and the potential for their expanded use among the poor.

The FII team implements nationally representative population surveys and qualitative research studies in Bangladesh, India, Indonesia, Kenya, Nigeria, Pakistan, Tanzania and Uganda to:

• **Track access to and demand** for financial services, especially DFS;
• **Measure adoption and use** of DFS among key underserved groups (females, poor, rural, etc.);
• **Identify drivers and barriers** to further adoption of DFS;
• **Evaluate the agent experience** and the performance of mobile money agents; and
• **Produce actionable, forward-looking insights based on rigorous data** to support product and service development and delivery.

The FII program is managed by InterMedia. Visit the FII Resource Center to learn more: www.finclusion.org.
KEY DEFINITIONS

Access to a bank — Counts individuals who use a full-service bank account either registered in their name or held by someone else.

Access to mobile money or an NBFI — Counts individuals who have ever used a mobile money service or a full-service NBFI.

Access & trial — Counts individuals who have a bank account registered in their name or use a bank account that is registered to someone else, or have ever used a mobile money service, or have ever used a full-service NBFI.

Active registered user — An individual who has an account registered in their name with a full-service financial institution and has used it in the last 90 days.

Advanced user — An active registered user who has ever used their account for saving, borrowing, insurance, investment, paying bills or receiving wages or government benefits. Buying airtime top-ups is considered an advanced use of a bank account or NBFI account but not a mobile money account.

Airtime — Minutes of talk time available on a mobile phone. Airtime top-up (adding minutes) is a basic mobile money activity, but is considered an advanced bank or NBFI activity.

Basic use — Cash-in (deposit) or cash-out (withdraw), transfer money to another individual, or conduct account maintenance.

Below the poverty line — In this particular study, adults living on less than $2.50 per day in 2005 purchasing power parity U.S. Dollars, as classified by the Poverty Probability Index.

Confidence interval (95%) — The range of values within which the observed value of a statistic will be found in 95 out of 100 repeat measurements.

Cooperative — Typically, a business or other professional organization that is owned and run jointly by its members, who share profits or benefits. Cooperatives may release some of the profits/funds as loans to its members.

Credit-only nonbank financial institutions — Financial institutions that only disburse loans to their customers and are therefore not considered full service.

Customer journey — A series of progressive stages through which individuals become more active users of more sophisticated financial services.

Digital financial inclusion — Counts individuals who have an account in their name with a full-service financial institution that offers digital services (e.g., online account access, debit/ATM card, credit card, electronic cash transfers).

Digital financial services (DFS) — Financial services provided through an electronic platform (e.g., mobile phones, debit or credit electronic cards, internet).

Digital stored-value account — A mobile money account or a full-service bank or NBFI account that offers digital services.

Financial inclusion — Individuals who hold an account with an institution that provides a full suite of financial services and comes under some form of government regulation.

Financial literacy — Basic knowledge of four fundamental concepts in financial decision making (interest rates, interest compounding, inflation, and risk diversification) as measured by the Standard and Poor’s Rating Service’s Global Financial Literacy Survey.

Full-service financial institutions — Financial institutions that offer savings, money transfers, insurance, or investments.

Microfinance institution (MFI) — An organization that offers financial services to low-income populations. Almost all give loans to their members, and many offer insurance, deposit and other services.

Mobile money (MM) — A service that allows a mobile phone to be used for storing and transferring money, and potentially accessing other financial services.

Nonbank financial institution (NBFI) — A financial organization that is not formally licensed as a bank or a mobile money provider, but whose activities are regulated, at least to some extent, by the central bank within the country. Such financial institutions include microfinance institutions (MFIs), cooperatives, Post Office Banks, payments banks and savings and credit cooperatives (SACCOs), etc.

Numeracy — The ability to use basic math skills, including counting, addition, division, multiplication and computing short- and long-term interest rates.

Payments Banks (including India Post Payments Bank) — A financial service provider that offers savings and money transfers but not credit.

Poverty Probability Index (PPI) — A measurement tool wherein a set of country-specific survey questions are used to compute the likelihood that an individual’s income is below a specific threshold.

Registered user — Counts individuals who have a financial account registered in their name or registered jointly in their and someone else’s name.

Savings and credit cooperative (SACCO) — A self-help group owned and managed by its members. Its main purpose is to build up funds through regular contributions by each member, with the aim of providing affordable credit and collective investments.

Unregistered/over-the-counter (OTC) user — An individual who has used a financial service through someone else’s account, including a mobile money agent’s account or the account of a family member or a neighbor.

Urban/rural — Urban and rural persons are defined according to their residence in urban or rural areas as prescribed by the national bureau of statistics.

Value-added services — These are non-core financial services that go beyond the standard services provided by financial institutions.
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FINANCIAL INCLUSION OVERVIEW
What is financial inclusion?
Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way (The World Bank). Financially included individuals are those who have an account in their name with a full-service financial institution.

How is it measured?
We measure financial inclusion as the percentage of adults (15+ years old) who report having at least one account in their name with an institution that offers a full suite of financial services, and comes under some form of government regulation.

How is it created?
Financial inclusion is created through the uptake and use of individual accounts with institutions that offer a full suite of financial services – savings, credit, money transfers, insurance and investment. Full-service financial institutions include banks, mobile money service providers, and nonbank financial institutions, such as payments banks.

What institutions and services do not count?
Individuals who own accounts with institutions that are not full service, such as credit-only microfinance institutions (MFIs), are not considered financially included. Individuals who do not have their own full-service account or use someone else’s account are not considered financially included. Individuals who only use services such as money guards, savings collectors, and digital recharge cards that are not attached to a bank or MFI account are also considered financially excluded.
ABOUT THE SURVEY

- Target population: Adults aged 15+ residing in households. The state of Jammu & Kashmir, and the Union Territories of Andaman & Nicobar, as well as Lakshadweep, were excluded from the survey.
- Sampling frame: List of all villages and towns based on the 2011 census.
- Sample design: Stratified multistage cluster sample of 47,132 adults designed by InterMedia in collaboration with Market Xcel Data Matrix Pvt. Ltd:
  - Stratification based on five town classes and three village classes;
  - First stage: Random selection of villages (806) and towns (142);
  - Second stage: Selection of wards in sampled towns;
  - Third stage: Selection of one polling station per sampled ward;
  - Fourth stage: Selection of 10 households per sampled ward and village;
  - Fifth stage: Selection of one adult member per household using the Kish grid.
- Face-to-face interviews administered at the household using tablet computers.
- Sampling weights: Design weight based on the probability of selection for each stage of sampling, adjusted for non-response at the household and household member levels. Sampling weights normalized at the national level so that the weighted number of cases equals the sample size.
- Weights used to make inferences about the target population (15 years old and over) at the national level and for urban and rural populations separately. Weighted percentages are reported together with unweighted respondent counts.

2017: National demographics
(Shown: Percentage of India adults, N=47,132)

<table>
<thead>
<tr>
<th>Demographic characteristics</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>52</td>
</tr>
<tr>
<td>Female</td>
<td>48</td>
</tr>
<tr>
<td>Urban</td>
<td>32</td>
</tr>
<tr>
<td>Rural</td>
<td>68</td>
</tr>
<tr>
<td>Above the $2.50/day poverty line</td>
<td>39</td>
</tr>
<tr>
<td>Below the $2.50/day poverty line</td>
<td>61</td>
</tr>
<tr>
<td>Age: 15-24</td>
<td>21</td>
</tr>
<tr>
<td>25-34</td>
<td>25</td>
</tr>
<tr>
<td>35-44</td>
<td>21</td>
</tr>
<tr>
<td>45-54</td>
<td>15</td>
</tr>
<tr>
<td>55+</td>
<td>18</td>
</tr>
<tr>
<td>Basic literacy</td>
<td>64</td>
</tr>
<tr>
<td>Basic numeracy</td>
<td>90</td>
</tr>
</tbody>
</table>

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
COUNTRY CONTEXT

Financial inclusion has expanded greatly, and digital financial services are being vigorously promoted through the Jan Dhan-Aadhaar-Mobile (JAM) trinity. Introduced in 2015, JAM is the government’s key initiative to improve the delivery of government benefits and services to the rural poor by integrating the Pradhan Mantri Jan-Dhan Yojana (PMJDY) scheme to expand access to bank accounts, the Aadhaar biometric identification initiative, and digital service delivery via mobile technology. In 2017, Finance Minister Arun Jaitley said the goal of JAM is to link 1 billion Aadhaar ID numbers to 1 billion bank accounts and 1 billion mobile phones.

- PMJDY has played a crucial role in expanding bank account ownership to previously unbanked adults. The challenge now is encouraging active use of accounts and meaningful engagement with the financial system amid high levels of account dormancy and inactivity.
- Aadhaar numbers – unique national ID numbers linked to a centralized biometric database – are being linked to all other mobile and financial accounts following the requirements of the Aadhaar Act passed by the Parliament of India in 2016. The Supreme Court is reviewing challenges to the law, and an interim verdict extended the deadline after which unlinked accounts will be blocked. However, individuals who receive government subsidies and benefits were required to link their accounts by the original March 31, 2018, deadline to continue receiving those benefits.

Demonetization drove greater engagement with formal financial institutions in 2017. At 12 a.m. on Nov. 9, 2016, the Indian government, without advanced warning, invalidated existing 500 and 1,000 rupee notes and replaced them with new 500 and 2,000 rupee notes. It created a cash shortage, as individuals scrambled to exchange banknotes at banks and Post Office banks.

- Six months after demonetization, InterMedia evaluated the impact of the policy on financial inclusion by re-interviewing a panel of 1,600 individuals who were first interviewed in the month before Nov. 9, 2016. The study found that, after demonetization, account ownership increased across all demographics, especially among women and rural adults.
- After demonetization, 20 million (2 crore) zero-balance savings accounts were opened under PMJDY through February 2017. Demonization also increased the number of taxpayers by over 30 percent.

The Government of India and private organizations continue to make a concerted effort to promote DFS-ecosystem growth.

- In 2017, the Government of India launched Cashless India, as a component of the Digital India initiative, a program designed to raise awareness and increase use of cashless transactions. It currently promotes 10 different cashless payment modes, including banking cards, the United Payments Interface (UPI), mobile wallets, pre-paid cards, digital banking, and more.
- UPI has benefited from demonetization, as online transactions increased 192% between April and November 2017 compared to the same period in 2016.
- Paytm, India’s largest e-wallet and e-commerce company, launched Paytm Payments Bank in partnership with the government in November 2017. Different from standard banks, payments banks are savings banks that allow customers to make deposits of up to 100,000 rupees (or $1,540). They offer remittance services and zero-balance accounts, do not charge for digital services, and include free RuPay debit/ATM cards. However, they do not offer loan services.
Driven by demonetization, financial inclusion increased by 15% of the adult population from 2016 to 2017, reaching 78% of adults 15+ years old (approximately 759 million people).

• New registered bank users, many of whom opened PMJDY accounts, were the main source of growth in financial inclusion. PMJDY account holders grew from 13% to 22% of adults from 2016 to 2017.

• While still only 2% of the adult population in 2017, registered mobile money users increased more than 4X compared to 2016. The proportion of NBFI account holders was statistically unchanged from 2016 to 2017.

• Registered inactive users were nearly one-quarter of the population (24%) in 2017, showing that engagement with financial services still lags behind account registration.

Reported phone and SIM card ownership -- key indicators of readiness to adopt DFS -- bounced back after dropping in 2016 with the government’s announcement of the requirement to link Aadhaar cards with phone numbers.

• Reported SIM card ownership grew by 35 percentage points from 2016 to 2017 after most of the population complied with new registration requirements using Aadhaar. Individual phone ownership has become the norm, and 60% of adults reported owning their own phone in 2017. Phone borrowers were 20% of adults, and an additional 20% still do not have access to a mobile phone.

• Ability to send text messages -- a key proxy indicator of capability to use mobile financial services -- increased by 12 percentage points.

Demonetization policy continues to affect India’s financial landscape. Despite the cash shortage, nearly 60% of adults agreed that demonetization was a necessary step to combat “black money” hidden from tax collectors. Over half (52%) of adults reported increased trust in the Government of India, and 48% reported greater trust in banks after demonetization.

• Mobile money awareness grew significantly to 18% in 2017, compared to only 8% in 2016. Mobile wallet providers such as Paytm and UPI gained a boost from demonetization, but only 5% of adults reported they adopted digital financial services (DFS) as a means of coping with the cash shortage.

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
ACCESS & TRIAL OF FINANCIAL SERVICES

- After registering no change from 2015 to 2016, the percentage of adults who accessed formal financial institutions increased significantly from 65% in 2016 to 80% in 2017. The increase was driven by banks, access to which increased from 64% in 2016 to 79% in 2017.
- As microfinance institutions have gained small finance bank licenses and become banks, their customers have joined the registered bank user group, and the size of the NBFI user group has decreased.
- Mobile money access increased significantly from less than 1% of adults in 2016, to 3% in 2017.

**Increased access was driven by India’s demonetization policy,** which required use of formal financial institutions—mainly banks—to exchange 500 and 1,000 rupee notes for new legal tender notes.

*Source: InterMedia India FII Tracker surveys, Wave 1 (N=45,024, 15+), October 2013-January 2014; Wave 2 (N=45,087, 15+), September-December 2014; Wave 3 (N=45,036, 15+), June-October 2015; Wave 4 (N=45,540, 15+), September 2016-January 2017; Wave 5 (N=47,132, 15+), August-December 2017.*
From 2016 to 2017, registered account holders of any formal financial service increased by 15 percentage points, from 63% to 78%. Nearly all individuals who accessed a financial institution (see previous slide) had a registered account, mainly with one or more banks. Bank dominance grew as the downtrend in NBFI registered users continued, accounting for only 3% of adults in 2017.

From 2013 to 2016, growth in registered users of mobile money was stagnant, however, from 2016 to 2017, the proportion of adults with a registered mobile money account increased significantly from 0.5% of adults to 2%.

**Registered users**

(Shown: Percentage of India adults, by year)

<table>
<thead>
<tr>
<th>Year</th>
<th>Nonbank financial institution</th>
<th>Bank</th>
<th>Mobile money</th>
<th>NBFI, bank, and/or mobile money</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>NA 8</td>
<td>47</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>2014</td>
<td>5</td>
<td>52</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>2015</td>
<td>4</td>
<td>63</td>
<td>0.4</td>
<td>0.5</td>
</tr>
<tr>
<td>2016</td>
<td>3</td>
<td>62</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>2017</td>
<td>2</td>
<td>78</td>
<td></td>
<td>78</td>
</tr>
</tbody>
</table>

26 percentage-point increase in bank account holders since PMJDY was launched in 2014.

Driven from the top down by government initiatives such as PMJDY and demonetization, financial inclusion has increased across all population demographics. One of PMJDY’s goals was to provide more brick-and-mortar banks in rural areas to reach unbanked populations. Every year since the program began implementation in 2014, the financial inclusion gap between rural and urban adults diminished, and in 2017 the gap was reversed such that financial inclusion is now more prevalent among rural than urban adults. The income gap was eliminated in 2017.

The gender gap in financial inclusion among registered users of financial accounts has decreased steadily, from 12 percentage points in 2014 to only 4 percentage points in 2017.

Registered users, by demographic group
(Shown: Percentage of each demographic group who are registered users, by year)

Source: InterMedia India FII Tracker surveys, Wave 2 (N=45,087, 15+), September-December 2014; Wave 3 (N=45,036, 15+), June-October 2015; Wave 4 (N=45,540, 15+), September-January 2017; Wave 5 (N=47,132, 15+), August-December 2017.
PMJDY ACCOUNT TREND, BY DEMOGRAPHIC GROUP

- The Government of India’s PMJDY initiative, boosted by demonetization, accounts for most of the growth in registered bank users over the past four years. The proportion of the adult population who confirmed registering a bank account via PMJDY grew from 5% in 2014 to 22% in 2017.

- PMJDY’s focus on providing each household with a bank account tended to favor men over women until demonetization spurred all individuals to exchange banknotes. After demonetization, a greater share of women than men were financially included via PMJDY for the first time, helping to narrow the overall gender gap to 4 percentage points in 2017 (see previous slide). Also in 2017, PMJDY succeeded in registering bank accounts for more rural and below-poverty adults than for their urban and above-poverty counterparts.

_REGISTERED USERS OF PMJDY ACCOUNTS, BY DEMOGRAPHIC GROUP_ (Shown: Percentage of each demographic group who are registered with PMJDY accounts, by year)

Source: InterMedia India FII Tracker surveys, Wave 2 (N=45,087, 15+), September-December 2014; Wave 3 (N=45,036, 15+), June-October 2015; Wave 4 (N=45,540, 15+), September-December 2016; Wave 5 (N=47,132, 15+), August-December 2017.
ACTIVE REGISTERED USERS

- Demonetization spurred a significant increase in active users; research by the Reserve Bank of India showed that demonetization boosted bank deposits, leading to greater use of accounts for cash management. Active registered users of formal financial accounts grew by 13 percentage points, from 41% of adults in 2016 to 54% in 2017.
- The number of active NBFI users did not change in 2017, after dropping from 6% to 3% between 2015 and 2016. Mobile money active users grew by small but significant numbers, from less than 1% in 2016 to 2% in 2017.


Between 2013 and 2017, active users of bank accounts more than doubled – from 25% to 53%.
ADVANCED USERS

- The proportion of adults who are active users of registered accounts and accessed an advanced service, such as savings, insurance, bill pay, or investment increased from 25% in 2016 to 35% in 2017. This increase returned the advanced active user indicator to nearly the same level observed in 2015.

- Nearly all advanced active users used a bank account. However, from 2016 to 2017, advanced mobile money users registered statistically significant growth, rising to 1% of the population.

**Advanced active registered users**
(Shown: Percentage of India adults, by year**)

- A surge in online transactions following demonetization helped boost the number of mobile money advanced users in 2017.

*Fewer than 50 observations

**2013 definition of advanced users is not comparable with later years

Source: *InterMedia India FII Tracker surveys, Wave 2 (N=45,087, 15+), September-December 2014; Wave 3 (N=45,036, 15+), June-October 2015; Wave 4 (N=45,540, 15+), September 2016-January 2017; Wave 5 (N=47,132, 15+), August-December 2017.*
DEMONETIZATION – DISRUPTION AND MITIGATION

- Demonetization of the 500 and 1,000 rupee notes in late 2016 resulted in cash shortages, long lines at banks and ATMs, and restrictions on daily withdrawal amounts. Approximately two-thirds of the population reported experiencing problems during this period with meeting daily expenses, such as paying bills and rent, and purchasing groceries and transportation.

- Demonetization was generally seen as either beneficial or neutral; a plurality of adults (44%) agreed that people both richer and poorer than themselves benefited from demonetization, and far fewer disagreed.

- Only one in three adults (33%) thought that merchants and service providers benefited from the policy.

**2017: Disruptions caused by cash crisis**
(Shown: Percentage of India adults, N=47,132)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Many problems</th>
<th>Some problems</th>
<th>No problems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paying for regular debts such as bills and rent</td>
<td>33</td>
<td>28</td>
<td>39</td>
</tr>
<tr>
<td>Purchasing groceries, meals/food staples</td>
<td>34</td>
<td>31</td>
<td>35</td>
</tr>
<tr>
<td>Purchasing transportation (e.g., buses, rickshaws, etc.)</td>
<td>32</td>
<td>36</td>
<td>32</td>
</tr>
</tbody>
</table>

**2017: Opinions on beneficiaries of demonetization**
(Shown: Percentage of India adults, N=47,132)

- People richer than me benefited from demonetization: 44% agree, 20% neither agree nor disagree, 22% disagree, 14% don’t know.
- People poorer than me benefited from demonetization: 44% agree, 18% neither agree nor disagree, 27% disagree, 11% don’t know.
- People about the same as me financially benefited from demonetization: 39% agree, 23% neither agree nor disagree, 22% disagree, 15% don’t know.
- Everyone benefited from demonetization equally: 36% agree, 25% neither agree nor disagree, 21% disagree, 18% don’t know.
- Merchants, vendors, and service providers benefited from demonetization: 33% agree, 24% neither agree nor disagree, 16% disagree, 27% don’t know.

Source: InterMedia India FI Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
DEMONETIZATION – ATTITUDES AND PERCEPTIONS

- Over half of the population (59%) agreed that demonetization was necessary to combat “black money” hidden from tax collection, and that the policy was successfully implemented (52%).
- Other opinions were more mixed; less than half of adults (46%) perceived the demonetization policy as more beneficial than disruptive and fewer (43%) would trust the government to implement similar policies in the future.
- Increased trust in the government and banks was reported by 52% and 48% of adults, respectively, because of demonetization.

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
GEOGRAPHICAL ACCESS TO FINANCIAL SERVICES

- Government initiatives to increase the areas served by banks have met with considerable success. In 2017, the large majority (83%) of adults knew of a financial point-of-service (POS) within five kilometers of their households, and 52% knew of a POS within one kilometer, including 38% who knew of a bank branch.
- Digital points-of-service, including mobile money agents or kiosks and payments banks were rarely reported within five kilometers of a household. A large majority (82%) did not know of distances to a mobile money agent.

2017: Proximity to points-of-service (POS) for financial institutions
(Shown: Percentage of India adults, N=47,132)

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
DIGITAL FINANCIAL INCLUSION

- Seventy-eight percent of adults are digitally included. In India, digital inclusion counts all individuals who own bank accounts because all bank accounts offer digital features, such as debit cards and electronic transfers. Awareness and use of digital features is, however, much lower than total supply.
- Six in 10 adults (60%) own a mobile phone – most own a basic phone (38%), followed by smartphones and feature phones. An additional 20% borrow or share a phone.

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
ADOPTION OF DIGITAL SERVICES AND PAYMENTS BANKS

- Adoption of DFS and payments banks is still low in India, but uptake was boosted by 5% of adults who reported adopting DFS during the demonetization period. Among those who did adopt DFS, nearly half (48%) said they were likely to continue using DFS for at least three more months.
- Payments banks were first licensed under the PMJDY scheme in 2015, and their rollout started in 2017. At the time of the FIll survey, less than 10% of the population was aware of payments banks, and just over 1% had a registered payments bank account.

**2017: DFS adoption due to demonetization**
(Shown: Percentage of India adults, N=47,132)

**2017: Likely to continue using DFS for the next three months**
(Shown: Percentage of India adults who adopted DFS during the cash crisis, n=2,412)

**2017: Awareness and ownership of payments bank accounts**
(Shown: Percentage of India adults, N=47,132)

Source: InterMedia India FIll Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
SELF-REPORTED DIGITAL STORED-VALUE ACCOUNTS

• All banks in India offer digital features such as electronic money transfers, credit cards, debit/ATM cards, and/or a mobile phone app or website, but only 48% of bank account holders were aware of these features in 2017, down from 77% in 2015. The inclusion of more of the rural and below-poverty population has reduced the proportion of registered bank users who are aware of digital features.

• The regression findings depicted in the chart on the right show lower odds of awareness of digital features among rural, female, 35+ years old, and below-poverty adults compared to their urban, male, under-35, and above poverty counterparts. Any level of formal education increases the odds of digital awareness compared to no education, with higher education showing the greatest predictive power.

Source: InterMedia India FII Tracker surveys, Wave 2 (N=45,087, 15+), September-December 2014; Wave 3 (N=45,036, 15+), June-October 2015; Wave 4 (N=45,540, 15+), September 2016-January 2017; Wave 5 (N=47,132, 15+), August-December 2017.
Aadhaar numbers are nearly universal among adults, fulfilling the prerequisite for the digital financial inclusion of the entire population.

SIM card ownership surged by 35 percentage points from 2016 to 2017 as individual phone numbers were linked to Aadhaar.

Mobile phone access rose by 12 percentage points from the low point seen in the 2016 survey, which was precipitated by the announcement of the new requirement to link all phones to Aadhaar. In 2016, those who had not yet linked their phone numbers were less likely to report owning a personal phone.

### 2017: Key indicators of readiness to adopt digital financial services

(Shown: Percentage of India adults, N=47,132)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Necessary ID</td>
<td>99%</td>
<td>98%</td>
<td>98%</td>
</tr>
<tr>
<td>Mobile phone access (own/borrow)</td>
<td>80%</td>
<td>90%</td>
<td>86%</td>
</tr>
<tr>
<td>Own a SIM card</td>
<td>75%</td>
<td>41%</td>
<td>41%</td>
</tr>
<tr>
<td>Ability to send and receive text messages</td>
<td>38%</td>
<td>38%</td>
<td>40%</td>
</tr>
<tr>
<td>Financial literacy</td>
<td>13%</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Basic numeracy</td>
<td>90%</td>
<td>97%</td>
<td>87%</td>
</tr>
<tr>
<td>Mobile money awareness</td>
<td>18%</td>
<td>10%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: InterMedia India FII Tracker surveys, Wave 2 (N=45,087, 15+), September-December 2014; Wave 3 (N=45,036, 15+), June-October 2015; Wave 4 (N=45,540, 15+), September 2016-January 2017; Wave 5 (N=47,132, 15+), August-December 2017.
MOBILE PHONE OWNERS – DEMOGRAPHICS & ATTITUDES

- Phone ownership is more common among men, urban residents, and those living above-poverty than it is among women, rural residents and below-poverty adults.
- Among those who do not own a mobile phone, 60% reported lack of money as the main reason for not owning a phone, and smaller, yet substantial, proportions reported not needing a phone or not knowing how to use a phone as the main reasons for not owning a phone.

2017: Mobile phone ownership, by demographic
(Shown: Percentage of each demographic group who are phone owners)

<table>
<thead>
<tr>
<th></th>
<th>Total population (N=47,132)</th>
<th>Female (n=24,953)</th>
<th>Male (n=22,179)</th>
<th>Rural (n=31,040)</th>
<th>Urban (n=16,092)</th>
<th>Below poverty (n=28,660)</th>
<th>Above poverty (n=18,472)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>76</td>
<td>76</td>
<td>56</td>
<td>70</td>
<td>60</td>
<td>63</td>
<td>63</td>
</tr>
<tr>
<td>Female</td>
<td>44</td>
<td>44</td>
<td>56</td>
<td>70</td>
<td>59</td>
<td>63</td>
<td>63</td>
</tr>
</tbody>
</table>

2017: Top reasons for not owning a mobile phone
(Shown: Percentage of India adults who do not own a mobile phone reporting somewhat/strongly agree, n=19,245)

- Don't have enough money to buy a mobile phone: 60%
- Don't need to have my own phone: 42%
- Don't know how to use a mobile phone: 40%
- Had a phone but it's lost/broken/stopped working: 24%
- No mobile phone network where I live: 24%
- Not allowed to use a mobile phone by family members: 22%

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
MOBILE PHONE USE

- In India, 80% of the population has mobile phone access and 77% of adults have used a mobile phone to make a phone call. Despite the high proportion of adults who reported they called someone, only 45% reported “complete ability” to do so.
- The ability to use certain phone features reflects greater exposure to these features. Few adults have sent/received a text message or performed a financial transaction on their phones; consequently, few adults reported “complete ability” to perform these mobile phone functions.

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
CUSTOMER JOURNEY

- Nonusers
- Unregistered users
- Registered inactive users
- Active basic users
- Advanced users

INDIA
CUSTOMER JOURNEY THEORY OF CHANGE

- Financial inclusion may be conceived as a process through which an individual’s needs are met by advancing step-by-step towards increasingly active engagement with a growing range of financial services. The customer journey theory of change posits that advancement on the journey leads to gains in human welfare.

- Understanding how individuals and groups advance on the customer journey is useful for developing strategies and interventions to assist more individuals to become users of the financial services that best meet their needs.

- Five major segments of the population on the customer journey are described below. Each group is mutually exclusive of the others. The population shifts between these groups as more individuals make progress on the customer journey.

**NONUSERS**

- **Nonusers** are adults who have no access or have never used a full-service financial institution. Nonusers have not started the customer journey.

**UNREGISTERED USERS**

- **Unregistered users** are those who do not have an account registered in their name but use a bank, mobile money, and/or NBFI service via another person’s account, especially over-the-counter mobile money services accessed via an agent.

**REGISTERED INACTIVE USERS**

- **Registered inactive users** are adults who have a bank, mobile money, or NBFI account registered in their name but have not used it in the last 90 days.

**ACTIVE BASIC USERS**

- **Active basic users** are adults who used their registered bank, NBFI, or mobile money account to transfer money to another person, deposit or withdraw cash, and/or check their balance in the previous 90 days ONLY. Buying airtime using mobile money is also a basic use case.

**ADVANCED USERS**

- **Advanced users** are adults who have used their registered bank, NBFI, or mobile money account in the previous 90 days and have ever used their account for saving, borrowing, bill payment, merchant payment, receiving wages, and/or receiving government payments.

**FINANCIALLY EXCLUDED (NO REGISTERED ACCOUNT)**

**FINANCIALLY INCLUDED (REGISTERED ACCOUNT HOLDERS)**
Overall, nonusers have been declining since 2014. Driven by demonetization, this group dropped by 15 percentage points in 2017 after showing no statistical change from 2015 to 2016. Unregistered users (who use an account belonging to someone else) were only 2% of the population in 2017. The registered inactive user group has included at least 20% of adults since 2014, which shows that active use continues to lag behind account registration. Active basic users grew from 16% to 19% between 2016 and 2017, as demonetization prompted individuals to use bank accounts to exchange banknotes. This segment has grown the most, by 14 percentage points, since 2014. Advanced users, who use their accounts to save, pay bills, receive government benefits, or other use cases beyond cash management, rebounded to 35% of the population in 2017, after dropping by 14 percentage points in 2016.
CUSTOMER JOURNEY TREND, BY GENDER

From 2014 to 2017, the proportion of male and female nonusers has decreased and, in 2017, there was no gender disparity among nonusers. Since 2015, women have made up a greater portion of registered inactive users than men. Male and female active basic users have increased over the last four years, but the male portion of the group has grown faster. The size of the advanced user group has fluctuated over time and has registered a persistent gender gap since 2014.

Change over time in each segment of the customer journey, by gender
(Shown: Percentage of India adults, by year and by gender)

Source: InterMedia India FII Tracker surveys, Wave 2 (N=45,087, 15+), September-December 2014; Wave 3 (N=45,036, 15+), June-October 2015; Wave 4 (N=45,540, 15+), September 2016-January 2017; Wave 5 (N=47,132, 15+), August-December 2017.
The majority of India’s adult population (61%) lives below the poverty line. Ensuring more below-poverty adults become included financially is therefore imperative for reaching development objectives. The government has succeeded in reducing the below-poverty portion of the nonuser group by over two-thirds since 2014 as the population as a whole has progressed on the customer journey. Below-poverty adults outnumber their above-poverty counterparts in the registered inactive, active basic, and advanced user groups. Above-poverty adults are, however, slightly overrepresented in the advanced user group relative to their total share of the population.

Change over time in each segment of the customer journey, by above/below $2.50 (2005 PPP USD) poverty line
(Shown: Percentage of India adults, by year and by poverty status)

Source: InterMedia India FII Tracker surveys, Wave 2 (N=45,087, 15+), September-December 2014; Wave 3 (N=45,036, 15+), June-October 2015; Wave 4 (N=45,540, 15+), September 2016-January 2017; Wave 5 (N=47,132, 15+), August-December 2017.
Nearly seven in 10 adults (68%) live in rural areas, and the rural share of the population in every customer journey segment is greater than the urban share. Rural adults have made faster progress on the customer journey over the past four years than their urban counterparts. Ten percent of the adult population were rural nonusers in 2016 who progressed to later stages of the customer journey in 2017. Rural residents account for most of the growth in the active basic and advanced user groups since 2014. In 2017, urbanites were, however, still slightly overrepresented in the advanced user group relative to their overall share of the population.

**CUSTOMER JOURNEY TREND, BY LOCALE**

Change over time in each segment of the customer journey, by urban/rural locale

(Shown: Percentage of India adults, by year and by locale)

Source: InterMedia India FII Tracker surveys, Wave 2 (N=45,087, 15+), September-December 2014; Wave 3 (N=45,036, 15+), June-October 2015; Wave 4 (N=45,540, 15+), September 2016-January 2017; Wave 5 (N=47,132, 15+), August-December 2017.
DEMOGRAPHICS OF EACH CUSTOMER SEGMENT

- Men formed the majority of unregistered users, active basic users, and advanced users, while women outnumbered men in the nonuser and registered inactive user groups.
- Living above or below poverty does not determine advancement on the customer journey. In each of the user segments, approximately 40% lived above poverty and 60% lived below poverty, which is proportional to the share of the two groups in the population overall.
- Rural adults were overrepresented among registered inactive users, which suggests that distance to bank branches is still a barrier to active use of accounts.

2017: Demographic groups, by customer journey segment
(Shown: Percentage of India adults in each segment)

<table>
<thead>
<tr>
<th>DEMOGRAPHICS</th>
<th>NONUSERS (n=9,781)</th>
<th>UNREGISTERED USERS (n=785)</th>
<th>REGISTERED INACTIVE USERS (n=11,320)</th>
<th>ACTIVE BASIC USERS (n=9,072)</th>
<th>ADVANCED USERS (n=16,174)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>47%</td>
<td>56%</td>
<td>45%</td>
<td>55%</td>
<td>58%</td>
</tr>
<tr>
<td>Female</td>
<td>53%</td>
<td>44%</td>
<td>55%</td>
<td>45%</td>
<td>42%</td>
</tr>
<tr>
<td>Above poverty</td>
<td>39%</td>
<td>38%</td>
<td>36%</td>
<td>41%</td>
<td>41%</td>
</tr>
<tr>
<td>Below poverty</td>
<td>61%</td>
<td>62%</td>
<td>64%</td>
<td>59%</td>
<td>59%</td>
</tr>
<tr>
<td>Rural</td>
<td>66%</td>
<td>61%</td>
<td>77%</td>
<td>69%</td>
<td>64%</td>
</tr>
<tr>
<td>Urban</td>
<td>34%</td>
<td>39%</td>
<td>23%</td>
<td>31%</td>
<td>36%</td>
</tr>
</tbody>
</table>

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
AGE GROUP SEGMENTATION

- The youngest age groups (15-24 and 25-34 years old) are a majority in the financially excluded groups (nonuser and unregistered users). Older age groups (35 and older) account for a larger share of the financially included groups.
- The financially included segments show similar age distributions across groups. This suggests that age does not impede advancement on the customer journey after registration.

2017: Age groups, by customer journey segment
(Shown: Percentage of India adults in each group in each segment)

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
EDUCATION SEGMENTATION

• As PMJDY and similar schemes continue to expand financial services access to underrepresented segments of society, formal schooling may be less of a factor in becoming financially included compared to financial literacy or mobile competency. In 2017, almost a quarter (24%) of advanced users did not have formal education.

• Adults with no formal education formed the largest subgroup among registered inactive users, which suggests that education is an important driver of financial engagement after account registration.

2017: Education levels, by customer journey segment
(Shown: Percentage of India adults in each group in each segment)

*Fewer than 50 observations
Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
DIGITAL READINESS SEGMENTATION

• Aadhaar cards are nearly universal across all customer journey segments, showing that lack of official ID is not a constraint to the adoption of digital financial services.

• Nonusers lag behind the other segments in phone ownership and financial literacy. However, one-third of all nonusers reported having the ability to text, whereas only one in four of all registered inactive users reported texting ability.

• Advanced users are the most prepared to adopt digital financial services; nearly three-quarters owned phones and almost half were capable of texting in 2017.

2017: Readiness to adopt digital financial services, by customer journey segment
(Shown: Percentage of India adults in each segment)
FINANCIAL HEALTH SEGMENTATION

- Nonusers had the lowest and advanced users had the highest financial health in 2017. The financial health indicators show similar levels for unregistered, registered inactive and active basic users.
- Advanced users had better financial health (in all three measures) compared with those in other segments, nonetheless, only 36% of advanced users reported having an emergency fund, 41% had enough money to pay for living expenses, and 52% were able to pay bills on time and in full.

2017: Financial health, by customer journey segment
(Shown: Percentage of India adults in each segment reporting somewhat/strongly agree)

- Only 17% of all adults reported they “often” or “almost always” follow through with their budget plans.

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
FINANCIAL CAPACITY SEGMENTATION

- Nonusers were least likely to report that friends and family rely on them for financial assistance, have the lowest confidence in their financial skills, and are least likely to say their income will grow in the future. Unregistered users were more financially capable than registered inactive and active basic users, and more frequently reported that friends and family rely on them financially.
- Just over half of all advanced users stated they were confident their incomes would grow in the future; this group also had the greatest capacity to manage their own finances.

2017: Financial capacity, by customer journey segment
(Shown: Percentage of India adults in each segment reporting somewhat/strongly agree)

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
WOMEN’S ECONOMIC EMPOWERMENT SEGMENTATION

- Women’s progress on the customer journey is associated with higher levels of each of the economic empowerment indicators; the largest differences are between the nonuser and advanced user groups.
- Less than half of nonusers reported being somewhat/very involved in choosing the financial services they use and being somewhat/very likely to voice disagreement with a spending decision, compared to majorities in the other segments.

2017: Economic empowerment indicators, by customer journey segment
(Shown: Percentage of India women in each segment reporting somewhat/strongly agree)

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
INCOME SEGMENTATION

- Salaried employment is the most common source of income for adults, and is the largest income category in each of the user groups. Advanced users were the most likely to have salaried incomes and to save using bank accounts.
- Similar proportions of adults in each segment were employed in irregular or seasonal work, with the exception of registered inactive users.

*Fewer than 50 observations

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
SAVING SEGMENTATION

- Savers are the least prevalent among nonusers and active basic users. These groups have similar saving behavior, relying mainly on cash, despite active basic users’ ownership of financial accounts.
- Registered inactive users save the most frequently after advanced users, but did not use their account in the 90 days before the survey. Lack of geographic access in the inactive user group, which is largely made up of rural residents, limits the use of their accounts.

2017: Saving behavior, by customer journey segment
(Shown: Percentage of India adults in each segment)

NONUSERS (n=9,781)
- 13% Savers
- 32% Save with informal institution
- 22% Save with cash or property
- 13% Save with formal institution
- 1% Other

UNREGISTERED USERS (n=785)
- 11% Savers
- 39% Save with informal institution
- 13% Save with cash or property
- 1% Save with formal institution
- 39% Other

REGISTERED INACTIVE USERS (n=11,320)
- 45% Savers
- 9% Save with informal institution
- 11% Save with cash or property
- 1% Save with formal institution
- 10% Other

ACTIVE BASIC USERS (n=9,072)
- 89% Savers
- 8% Save with informal institution
- 9% Save with cash or property
- 0.9% Save with formal institution

ADVANCED USERS (n=16,174)
- 86% Savers
- 18% Save with informal institution
- 13% Save with cash or property
- 9% Save with formal institution
- 3% Other

46% of all adults saved with an organization.

*Fewer than 50 observations
Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
BORROWING SEGMENTATION

- There is little differentiation in borrowing across customer journey segments. One-third or fewer adults in each segment reported borrowing in the 12 months prior to the survey. Reasons for borrowing were also similar across the customer journey; all groups borrow primarily to pay for daily and emergency expenses.

2017: Borrowing in the last 12 months, by customer journey segment
(Shown: Percentage of India adults in each segment)

9% of all adults had at least one loan with an organization.

*Fewer than 50 observations

Source: InterMedia India FI Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
INSURANCE AND INVESTMENT SEGMENTATION

- The proportion of adults who have insurance increases with progress along the customer journey; more than one in three advanced users had insurance, mainly health and life.
- Overall, individuals tend to invest in their own businesses over other assets. Advanced users had the highest prevalence of businesses investment, followed by registered inactive users.

### 2017: Insurance and investment behavior, by customer journey segment
(Shown: Percentage of India adults in each segment)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Have insurance</th>
<th>Invest in own business</th>
<th>Invest in other assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>NONUSERS (n=9,781)</td>
<td>9</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>UNREGISTERED USERS (n=785)</td>
<td>12</td>
<td>5*</td>
<td>0.8*</td>
</tr>
<tr>
<td>REGISTERED INACTIVE USERS (n=11,320)</td>
<td>16</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>ACTIVE BASIC USERS (n=9,072)</td>
<td>17</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>ADVANCED USERS (n=16,174)</td>
<td>32</td>
<td>12</td>
<td>4</td>
</tr>
</tbody>
</table>

*Fewer than 50 observations

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.

9% of all adults had investments.

Only 20% of all adults had any type of insurance.
INFORMAL FINANCIAL ACTIVITIES SEGMENTATION

• Membership in informal groups is low compared to membership in formal financial institutions. Nonetheless, the proportion of adults belonging to informal groups increases along the customer journey, which suggests that, for many adults, informal and formal financial behaviors complement each other.

• Saving and borrowing are the main use cases for those who use informal groups. Those who save or borrow are more likely to be registered inactive users and advanced users compared to the other segments.

2017: Membership and uses of informal financial groups, by customer journey segment
(Shown: Percentage of India adults in each segment)

NONUSERS
(n=9,781)

UNREGISTERED USERS
(n=785)

REGISTERED INACTIVE USERS
(n=11,320)

ACTIVE BASIC USERS
(n=9,072)

ADVANCED USERS
(n=16,174)

• Belong to informal group(s)
• Save through informal group(s)
• Borrow through informal group(s)
• Invest through informal group(s)

*Fewer than 50 observations

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
NONUSERS

NONUSERS

UNREGISTERED USERS

REGISTERED INACTIVE USERS

ACTIVE BASIC USERS

ADVANCED USERS
NONUSERS, BY DEMOGRAPHIC GROUP

- In 2017, one in five adults were still nonusers of formal financial services.
- Nonusers were more common among women and the under-35 age group than they were among men and adults aged 35 and older. There was little disparity between the prevalence of nonusers among urban versus rural or above- versus below-poverty demographic groups.

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
BARRIERS TO ACCESS AND REGISTRATION

- More than half (52%) of nonusers cited the lack of money as the biggest deterrent to registering a bank account, and they still perceived bank account ownership as costly despite the availability of feeless, zero-balance accounts from PMJDY. Forty-four percent of nonusers cited the associated fees and expenses as a constraint to registration.

- The large majority of adults in India were unaware of mobile money. Among those who were aware of this type of service, reasons for not registering included a preference for cash, lack of knowledge about mobile money and its uses, as well as insufficient funds to use the service.

**2017: Top reasons for not registering a bank account**
(Shown: Percentage of bank nonusers reporting somewhat/strongly agree, n=9,967)

- Lack of money to use the account: 52%
- Fees and expenses for owning an account are too high: 44%
- Do not need one or have never thought of using one: 38%
- Lack of official identification or other required documents: 33%

**2017: Top reasons for not using mobile money**
(Shown: Percentage of mobile money nonusers reporting somewhat/strongly agree, n=45,827)

- Prefer to use cash: 9%
- Don’t need to use mobile money: 8%
- Don’t have enough money to make transactions: 8%
- Don’t know what mobile money is used for: 8%
- Don’t trust mobile money: 6%
- Worried money would be stolen: 6%
- Don’t have the required ID or other documents: 5%

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
NONUSER SAVING BEHAVIOR

- Saving is not a common practice among nonusers; only 13% of nonusers reported saving.
- Among nonusers, the most common method of saving was at home, in cash (8%), as well as through the accumulation of agricultural inputs and in-kind assets.

### 2017: Nonuser methods of saving
(Shown: Percentage of nonusers, n=9,781)

- Savers: 13%
- At home, in cash: 8%
- Agricultural inputs, livestock, other assets: 4%
- In-kind assets, such as gold: 3%
- Other people/collectors: 1%
- NBFI: 0.6%
- Digital/recharge card: 0.3%
- Post Office banks: 0.3%

*Fewer than 50 observations

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
NONUSER ECONOMIC EMPOWERMENT, BY GENDER

- Male and female nonusers reported lower levels of economic empowerment than their advanced user counterparts, and the women in both groups reported lower levels of empowerment than did men.
- While both male and female advanced users had higher level of empowerment indicators than nonusers, the gender gaps among advanced users were larger than those among nonusers on all four indicators. This finding suggests that progress on the customer journey is empowering overall, but more so for men than women.

2017: Influence, voice, and autonomy on personal and household financial decisions
(Shown: Percentage of India adults in each group, by gender)

- I have most/almost all influence on final decisions on household spending
- Somewhat/very likely to voice disagreement with spending decision
- Somewhat/very involved in deciding what financial services to use
- I make the final decision on how my money is spent or saved (somewhat/strongly agree)

10 percentage-point gender gap among nonusers in influence over household spending decisions, versus a 14 percentage-point gender gap among advanced users.

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
UNREGISTERED USERS

NONUSERS  \[\text{UNREGISTERED USERS}\]  REGISTERED INACTIVE USERS  ACTIVE BASIC USERS  ADVANCED USERS
UNREGISTERED USERS, BY DEMOGRAPHIC GROUP

- The government of India’s financial inclusion initiatives have successfully promoted the adoption of formal financial accounts that are registered individually or jointly; very few adults are unregistered users who access financial institutions but do not own an account. In 2017, 2% of adults accessed bank services via an account that belongs to someone else.
- Unregistered users of mobile money and NBFIs were each less than 1% of the population in 2017.

2017: Unregistered users, by demographic and service type
(Shown: Percentage of each demographic group who are unregistered users of each type of institution)

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
REGISTERED INACTIVE USERS

- Nonusers
- Unregistered Users
- Registered Inactive
- Active Basic Users
- Advanced Users
REGISTERED INACTIVE USERS, BY DEMOGRAPHIC GROUP

- While the number of registered bank accounts overall increased in 2017, nearly a quarter of the population did not use their account in the 90 days preceding the survey. Nearly all inactive users were bank account holders – less than 1% of NBFI or mobile money registered users were inactive.
- In 2017, inactive users were more common among women, rural, and below-poverty adults than among men, urban, and above-poverty adults.

2017: Inactive users of registered financial accounts, by demographic and service type
(Shown: Percentage of each demographic group who are registered inactive users of each type of institution)

*Fewer than 50 observations

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
Less than half (45%) of the registered inactive group reported saving. Banks were the most commonly reported method of saving, and cash was a distant second.

Few registered inactive users have access to loans. Banks were the largest provider of loans to this group, 4% of the registered inactive user group had a bank loan at the time of the survey.

Source: InterMedia India FI Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
REGISTERED INACTIVE USER ECONOMIC EMPOWERMENT, BY GENDER

- Male and female registered inactive users had lower levels of empowerment indicators than their advanced user counterparts. Male registered inactive users, however, reported equal or higher levels of empowerment than did female advanced users on three of four indicators. This finding suggests the gains in male empowerment from account ownership outpace the gains in women’s empowerment from advanced use.
- Influence on final household spending decisions showed the widest gender gap among both registered inactive and advanced users, 16 and 14 percentage points, respectively.

| 2017: Influence, voice and autonomy on personal and household financial decision |
|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Registered inactive user | Advanced user | Registered inactive user | Advanced user | Registered inactive user | Advanced user | Registered inactive user | Advanced user |
| I have most/almost all influence on final decisions on household spending | 52 | 54 | 59 | 62 | 66 | 60 | 66 | 59 |
| Somewhat/very likely to voice disagreement with spending decision | 36 | 40 | 54 | 62 | 60 | 60 | 63 | 60 |
| Somewhat/very involved in deciding what financial services to use | 67 | 62 | 72 | 66 | 72 | 66 | 66 | 69 |
| I make the final decision on how my money is spent or saved (somewhat/strongly agree) | | | | | | | | |

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
ACTIVE BASIC USERS

- Nonusers
- Unregistered Users
- Registered Inactive Users
- Active Basic Users
- Advanced Users

INDIA
ACTIVE BASIC USERS, BY DEMOGRAPHIC GROUP

- In 2017, 19% of adults were active basic bank users – those who used their accounts only for deposits and withdrawals in the 90 days prior to the survey. Less than 1% of adults were active basic users of mobile money or NBFI accounts.
- A larger proportion of men than women were active basic bank users. There was no difference between the proportion of active basic bank users in the below-poverty demographic groups, or in the rural-urban segments.

2017: Active basic users of registered financial accounts, by demographic and service type
(Shown: Percentage of each demographic group who are active basic users of each type of institution)

*Fewer than 50 observations

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
ACTIVE BASIC USER SAVING BEHAVIOR

• One in 10 active basic users of financial institutions reported saving. By definition, this group does not use a registered account for saving. In 2017, the most common saving method was through saving/safekeeping cash at home.

• This group uses account transfers and cash management, but may not yet have the ability or awareness to use formal institutions for advanced activities, such as saving.

2017: Methods of saving
(Shown: Percentage of active basic users, n=9,072)

Promoting the regular use of accounts for advanced activities, such as saving and payments, is necessary to prevent active basic users from becoming inactive and reverting to cash.

*Fewer than 50 observations
Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
Active basic users closely approximated advanced users on the four indicators of economic empowerment, including the gender gaps within each user group. The greatest difference between these groups was in the indicator on influencing decisions on what financial services to use, where both male and female active basic users showed significantly lower levels of empowerment than their advanced user counterparts. This finding suggests that deeper engagement with financial services leads to greater autonomy and choice for both men and women over what services to use.

2017: Influence, voice and autonomy on personal and household financial decision
(Shown: Percentage of India adults in each group, by gender)

- I have most/almost all influence on final decisions on household spending
- Somewhat/very likely to voice disagreement with spending decision
- Somewhat/very involved in deciding what financial services to use
- I make the final decision on how my money is spent or saved (somewhat/strongly agree)

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
ADVANCED USERS

INDIA
In 2017, 34% of the population were advanced bank users, meaning they used their accounts within 90 days of the survey and performed at least one advanced financial activity such as saving or receiving wages.

Advanced bank users are more common among men, urbanites, and above-poverty adults than among their female, rural, and below-poverty counterparts.

Mobile money and NBFI advanced users make up 1% and 2% of the population, respectively.

**2017: Advanced users, by demographic**
(Shown: Percentage of each demographic group who are advanced users of each type of institution)

*Fewer than 50 observations

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
ADVANCED USER FINANCIAL BEHAVIORS

- Nine out of 10 advanced users have ever saved and the majority of advanced users saved with a formal institution (86%). A smaller proportion reported saving cash at home (13%).
- More than one in 10 advanced users (11%) borrowed from a bank and 6% borrowed from an NBFI.

2017: Methods of saving
(Shown: Percentage of advanced users, n=16,174)

- Savers: 89%
- Bank: 86%
- At home, in cash: 13%
- In-kind assets, such as gold: 8%
- Agricultural inputs, livestock, and other assets: 3%
- Post Office banks: 2%
- Saving/lending group: 2%
- MFI: 1%
- Payments bank: 1%
- Digital/recharge card: 1%

2017: Source of current loan
(Shown: Percentage of advanced users, n=16,174)

- Bank: 11%
- NBFI: 6%
- Other institution or financial service provider: 3%

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
ADVANCED USER 90-DAY ACCOUNT ACTIVITIES

- The most common bank account activities of advanced users in the 90 days preceding the survey were saving, paying bills, receiving government benefits, and/or purchasing goods and services, in that order. Two percent or fewer advanced users reported receiving wages, taking or servicing a loan, paying insurance premiums, or making an investment via their bank accounts.

- Advanced users of mobile money most frequently used their accounts for paying bills in the 90 days prior to the survey.

- Advanced users of NBFIs actively used their accounts for a wide range of advanced activities. NBFI users are, however, only 2% of the adult population, which suggests that banks should be the focus of effort to expand the uptake of advanced use cases.

2017: Advanced users’ account activities in last 90 days, by activity and institution
(Shown: Percentage of advanced users, n=16,174)

*Fewer than 50 observations

Source: InterMedia India FII Tracker survey, Wave 5 (N=47,132, 15+), August-December 2017.
# Key Indicators Summary

<table>
<thead>
<tr>
<th>Key Indicators</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Base Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adults (15+) who have active digital stored-value accounts</td>
<td>22% (+/- 1.2%)</td>
<td>34% (+/- 1.2%)</td>
<td>22% (+/- 1.2%)</td>
<td>54% (+/- 1.1%)</td>
<td>All adults</td>
</tr>
<tr>
<td>Poor adults (15+) who have active digital stored-value accounts</td>
<td>17% (+/- 1.0%)</td>
<td>29% (+/- 1.0%)</td>
<td>21% (+/- 1.3%)</td>
<td>52% (+/- 1.1%)</td>
<td>All poor</td>
</tr>
<tr>
<td>Poor women (15+) who have active digital stored-value accounts</td>
<td>12% (+/- 1.0%)</td>
<td>24% (+/- 1.1%)</td>
<td>16% (+/- 1.2%)</td>
<td>46% (+/- 1.2%)</td>
<td>All poor females</td>
</tr>
<tr>
<td>Rural women (15+) who have active digital stored-value accounts</td>
<td>12% (+/- 0.8%)</td>
<td>23% (+/- 1.0%)</td>
<td>13% (+/- 0.9%)</td>
<td>46% (+/- 1.0%)</td>
<td>All rural females</td>
</tr>
<tr>
<td>Adults (15+) who actively use digital stored-value accounts and have accessed at least one advanced financial service (beyond basic wallet &amp; P2P)</td>
<td>20% (+/- 1.2%)</td>
<td>31% (+/- 1.2%)</td>
<td>15% (+/- 1.1%)</td>
<td>34% (+/- 1.4%)</td>
<td>All adults</td>
</tr>
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<td>Poor adults (15+) who actively use digital stored-value accounts and have accessed at least one advanced financial service (beyond basic wallet &amp; P2P)</td>
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</tr>
</tbody>
</table>

Digital stored-value accounts: accounts in which a monetary value is represented in a digital electronic format and can be retrieved/ transferred by the account owner remotely. For this particular study, DSVAs include a bank account or NBFI account with digital access (a card, online access or a mobile phone application) and a mobile money account.

Source: InterMedia India FII Tracker surveys, Wave 2 (N=45,087, 15+), September-December 2014; Wave 3 (N=45,036, 15+), June-October 2015; Wave 4 (N=45,540, 15+), September 2016-January 2017; Wave 5 (N=47,132, 15+), August-December 2017.
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