

FINANCIAL INCLUSION *insights*

APPLIED RESEARCH FOR  digital financial inclusion

INDIA

QUICKSIGHTS REPORT FII TRACKER SURVEY Conducted June through October, 2015

January 2016*



KEY DEFINITIONS

- **Access** – Access to a bank, NBFIs or mobile money account; those with access have used the services either via their own account or via the account of another person.
- **Active account holder** – An individual who has a registered financial services account and has used it in the last 90 days.
- **Advanced use** – The use of a financial account for services other than basic or P2P services. (For the purposes of this study, in the case of mobile money, airtime top-ups are not considered an advanced use.)
- **Basic use** – The use of an account to cash-in (deposit) or cash-out (withdraw), or conduct account maintenance.
- **DFS access** – Access to a DFS account through one’s own account or someone else’s account.
- **Below the poverty line** - In this particular study, adults living on less than \$2.50 per day, as classified by the Grameen PPI.
- **DFS access** – Access to a DFS account through one’s own account or someone else’s account.
- **Digital financial services (DFS)** – Financial services that are provided through an electronic platform (mobile phones, electronic cards, the internet, etc.).
- **Financial inclusion** – For the purposes of this report, financial inclusion is defined as having an account with an institution that provides a full-suite of financial services and comes under some form of government regulation. Services include: savings, money transfers, insurance or investment.
- **Full-service nonbank financial institution** – Financial institution that offers its customers at least one of the following services: savings, money transfers, insurance or investment.
- **Grameen Progress out of Poverty Index (PPI)** – A poverty measurement tool from the Grameen Foundation wherein a set of country-specific questions are used to compute the likelihood that a household is living below the poverty line.
- **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 in which a mobile phone is used to access financial services.
- **Nonbank financial institution (NBFIs)** – A financial organization that is not formally licensed as a bank or a mobile money provider, but whose activities are regulated by the central bank or another regulatory body within the respective country. Such financial institutions in India may include microfinance institutions (MFI), post office banks and savings \lending groups.
- **Post office bank** – A government-run bank that operates through local post offices.
- **Unregistered/OTC user** – An individual who has ever used a bank, NBFIs or mobile money services without a registered account of their own, including a mobile money agent’s account or the account of a family member or neighbor. In India, this primarily refers to unregistered use of mobile money services.

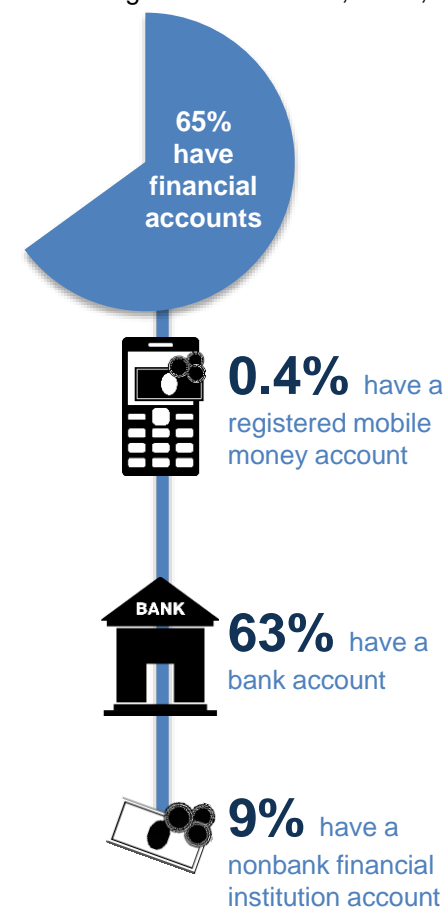
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Notable statistics

- Significant increases in bank account ownership and access suggest the government's PMJDY initiative is achieving great success.
 - March 2016 estimates from the Pradhan Mantri Jan-Dhan Yojana's (PMJDY) initiative showed 100 percent of Indian households had a bank account (<http://pmjdy.gov.in/account>).
 - As a measure of individuals, rather than households, the FII program found that bank account ownership increased from 52 percent in mid-2014 to 63 percent by mid-2015.
- The number of active bank account holders increased dramatically between 2014 and 2015.
 - Active bank account holders (those using their registered accounts in the past 90 days) increased from 29 percent in 2014 to 42 percent in 2015, and has nearly doubled for lower income and rural populations.
 - The increase in active bank account holders mirrored the increase in bank account holders, both increases likely the result of the PMJDY initiative.
- Mobile money use and awareness remains low.
 - Mobile money awareness is at 10 percent and use is at just 0.5 percent.
 - As of August 2015, licenses for payment banks had been issued by the Indian central bank. Some observers expect these to help spur mobile money growth. Survey fieldwork concluded before these changes could have any potential market impact.

2015: Registered users of financial services*

(Shown: Percentage of Indian adults, N=45,036)



*Overlap representing those who have multiple kinds of financial accounts is not shown.

Source: InterMedia India FII Tracker survey Wave 3 (N=45,036, 15+), June-October 2015.

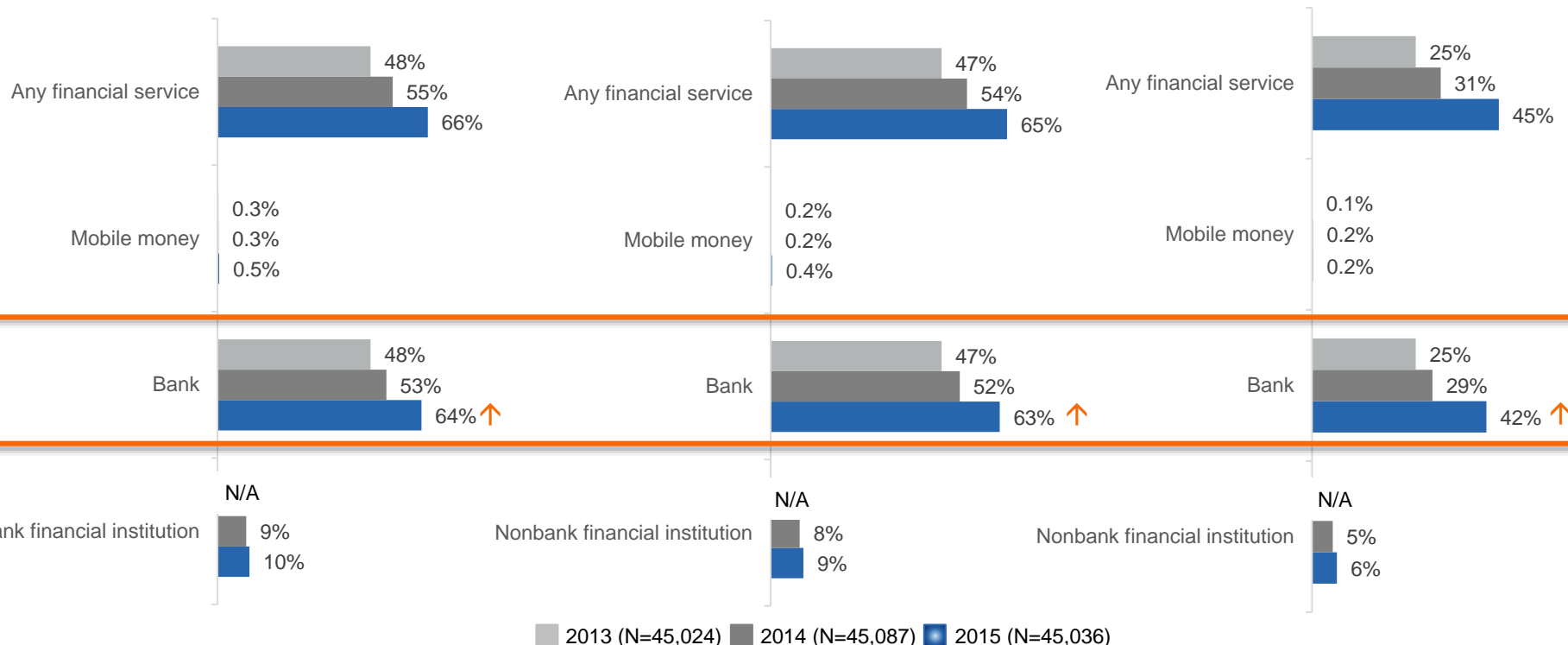
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At-a-glance: Bank account access and use continues to grow year over year

Financial account access

Registered financial service users (Shown: Percentage of India adults for each year)

Active* financial service users



Types of account ownership are not mutually exclusive. *Used the account in the last 90 days

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.

FII India Tracker Survey details

Survey Summary

- Annual, nationally representative survey (N=45,036) of Indian adults aged 15+
- Face-to-face interviews lasting, on average, 49 minutes
- Third survey (wave 3) conducted from 6/3/2015 to 10/4/2015
- Tracks trends and market developments in DFS based on the information gathered in the first survey, conducted in 2013, and second survey conducted in 2014

Data Collection

- Basic demographics and poverty measurement (Grameen Progress Out of Poverty Index)
- Access/use of mobile devices
- Access/use of mobile money
- Access/use of formal financial services (e.g., bank accounts)
- Access/use of semi-formal and informal financial services (e.g., MFIs, cooperatives, village savings groups)
- Financial literacy and preparedness
- General financial behaviors

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Survey demographics

	% of survey
Gender	
Male	51%
Female	49%
Geography	
Urban	33%
Rural	67%
Income	
Above the \$2.50/day poverty line	22%
Below the \$2.50/day poverty line	78%

	% of survey
Age	
15-24	28%
25-34	23%
35-44	19%
45-54	13%
55+	17%
Aptitude	
Basic literacy	66%
Basic numeracy	95%

Figures are weighted to reflect national census data demographics.

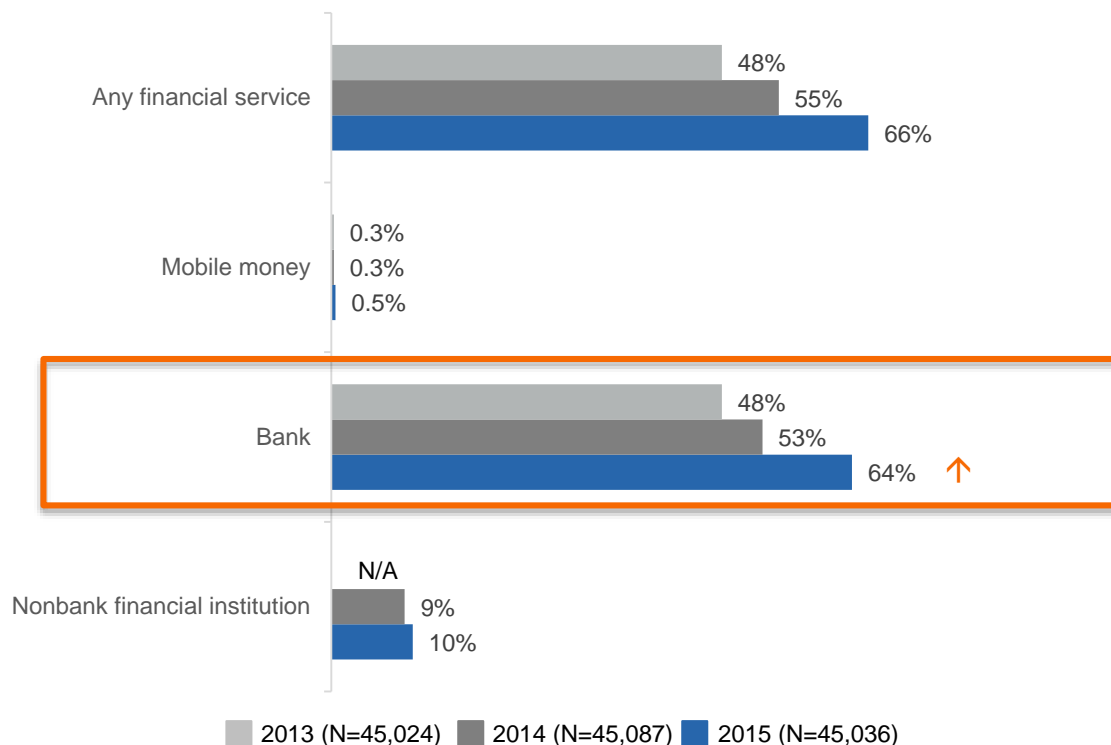
Source: InterMedia India FII Tracker survey Wave 3 (N=45,036, 15+), June-October 2015.

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Bank account access rose again over previous growth while mobile money, NBFI usage remained static

Access to financial services

(Shown: Percentage of Indian adults for each year)

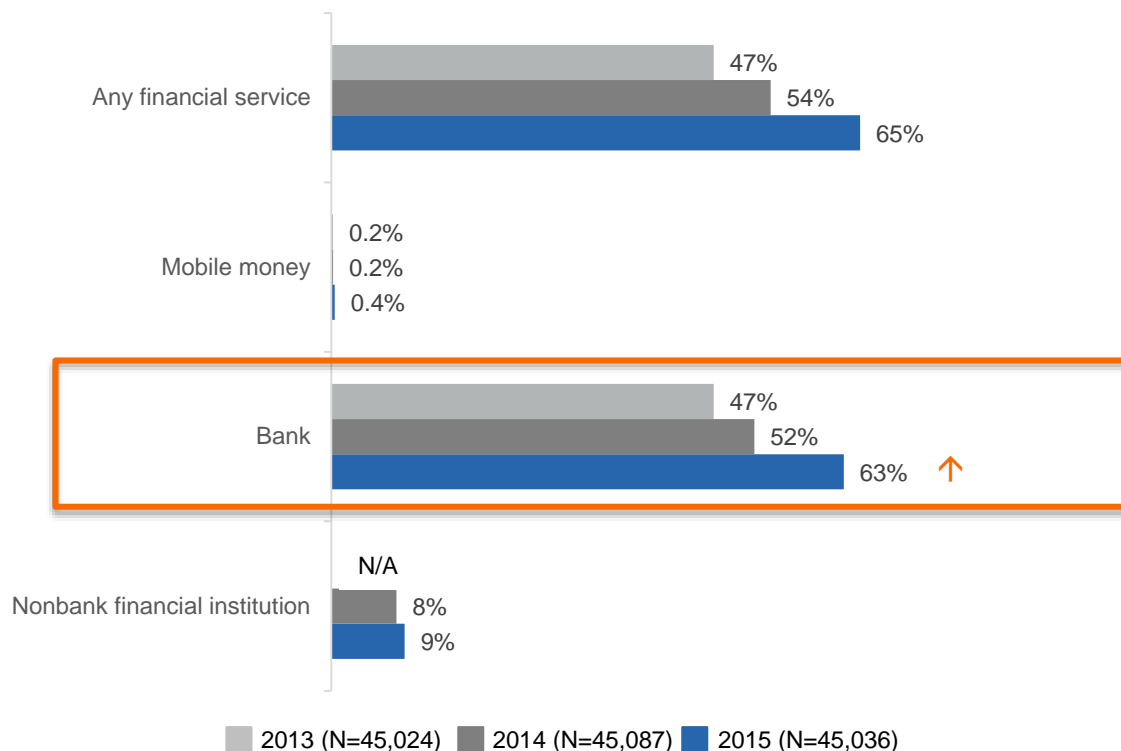


Types of accounts are not mutually exclusive.

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.

Two-thirds of adults now have a bank account in their name, up from 2014 and 2013

Registered financial service users
(Shown: Percentage of Indian adults for each year)



Types of accounts are not mutually exclusive.

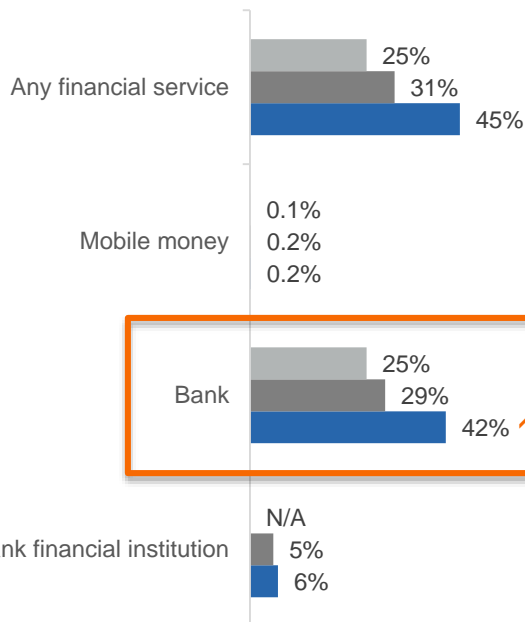
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Active bank account use is on the rise vs. previous years

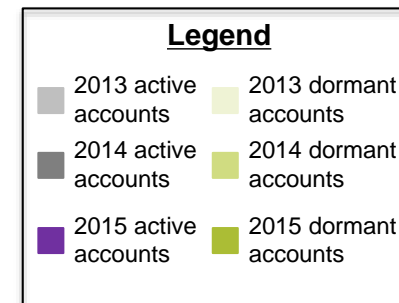
Active* financial account holders

(Shown: Percentage of Indian adults)



Active* financial account holders

(Shown: Percentage of registered users for each type of account)



■ 2013 (N=45,024) ■ 2014 (N=45,087) ■ 2015 (N=45,036)

*A registered account used in the last 90 days. Types of accounts are not mutually exclusive.

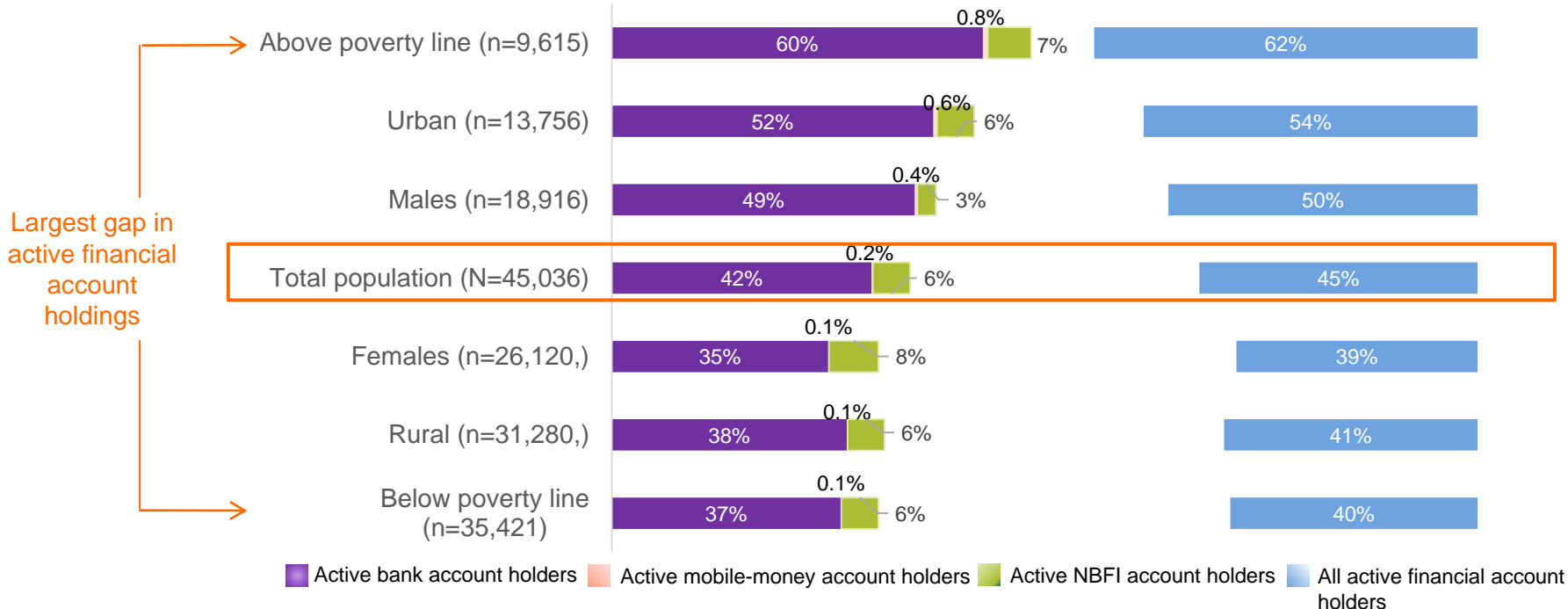
Source: InterMedia India FII Tracker surveys Wave 1 (N=45,024, 15+), October 2013-January 2014; Wave 2 (N=45,087, 15+), September-December 2014; Wave 3 (N=45,036, 15+), June-October 2015.

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The greatest disparity in active account use is by poverty level; NBFi active account use is comparable across all demographics

2015: Active account usage by demographic

(Shown: Percentage of each subgroup)



Types of accounts are not mutually exclusive.

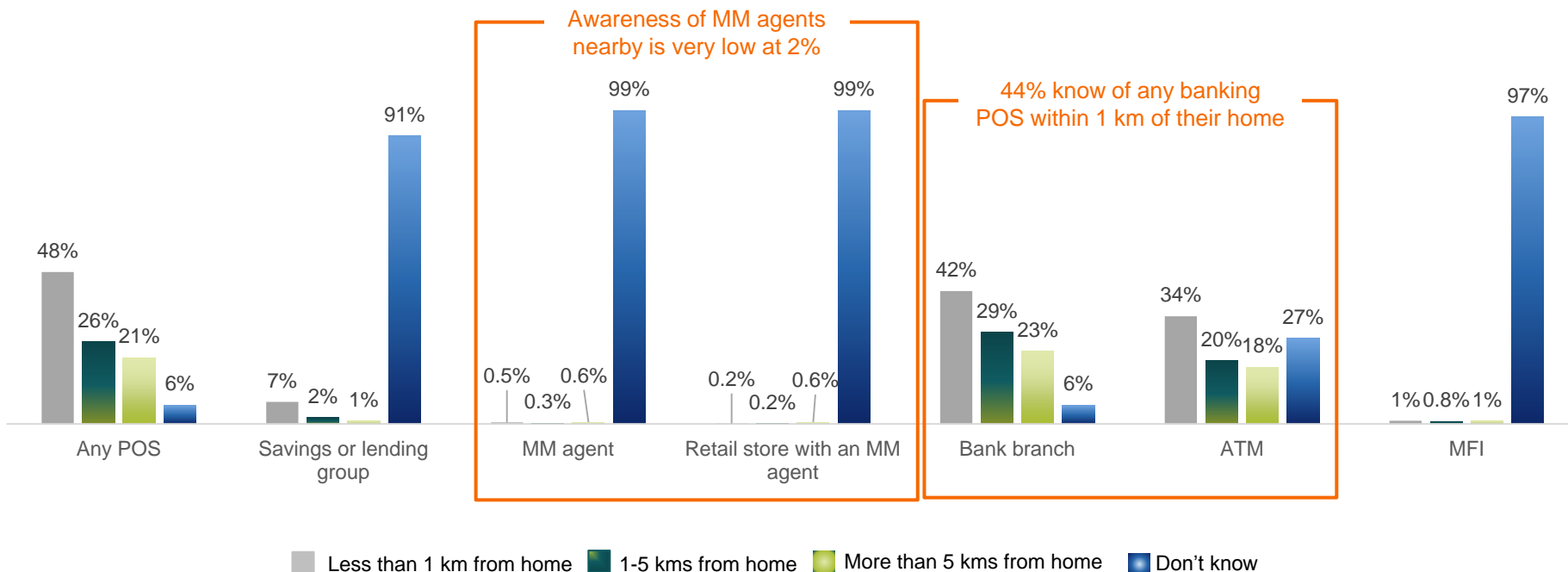
Source: InterMedia India FII Tracker survey Wave 3 (N=45,036, 15+), June-October 2015.

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More adults know of a bank point of service (POS) within 1 km of where they live than they do of mobile money (MM) agents or any NBFI locations

2015: Proximity to points-of-service (POS) for financial institutions

(Shown: Percentage of Indian adults N=45,036)



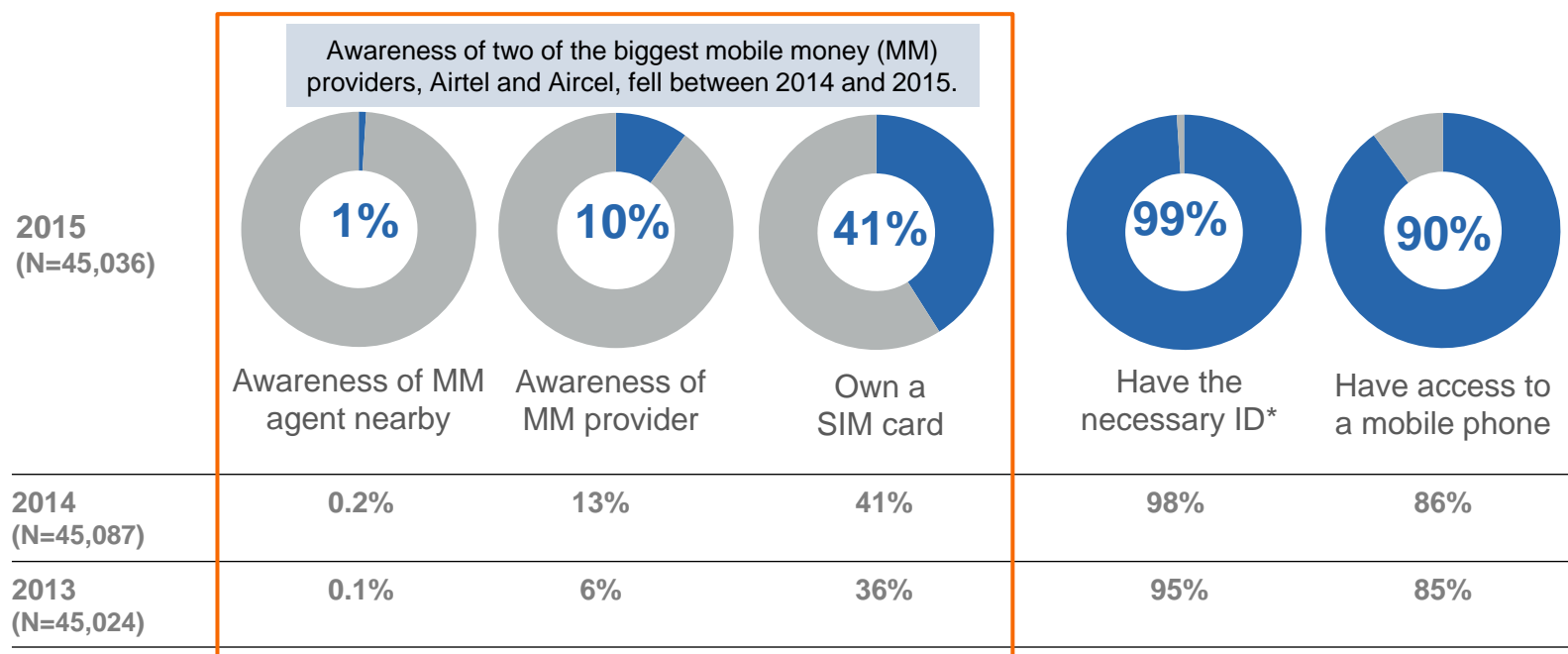
Source: InterMedia India FII Tracker survey Wave 3 (N=45,036, 15+), June-October 2015.

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Low awareness of mobile money and low SIM-card ownership remain potential barriers to using mobile phones as a platform for access to financial services

Key indicators for use of digital financial services

(Shown: Percentage of Indian adults, by year)



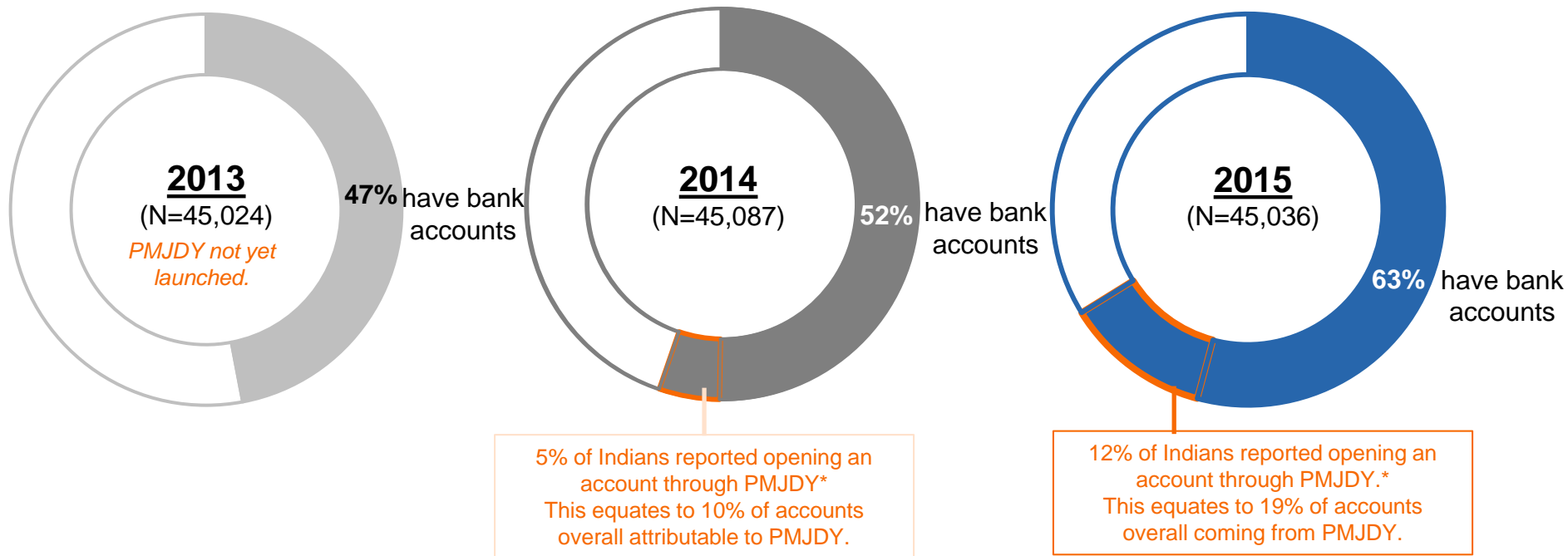
*Identification documents (ID) necessary for registering a mobile money or a bank account include one of the following: an Aadhaar card, PAN card, passport, voter's card, driver's license, employee ID, birth certificate, ration card or school ID.

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.

PMJDY drove year-on-year increases in bank account ownership

PMJDY account ownership

(Shown: Percentage of Indian adults, by year)



*PMJDY was launched in August 2014.

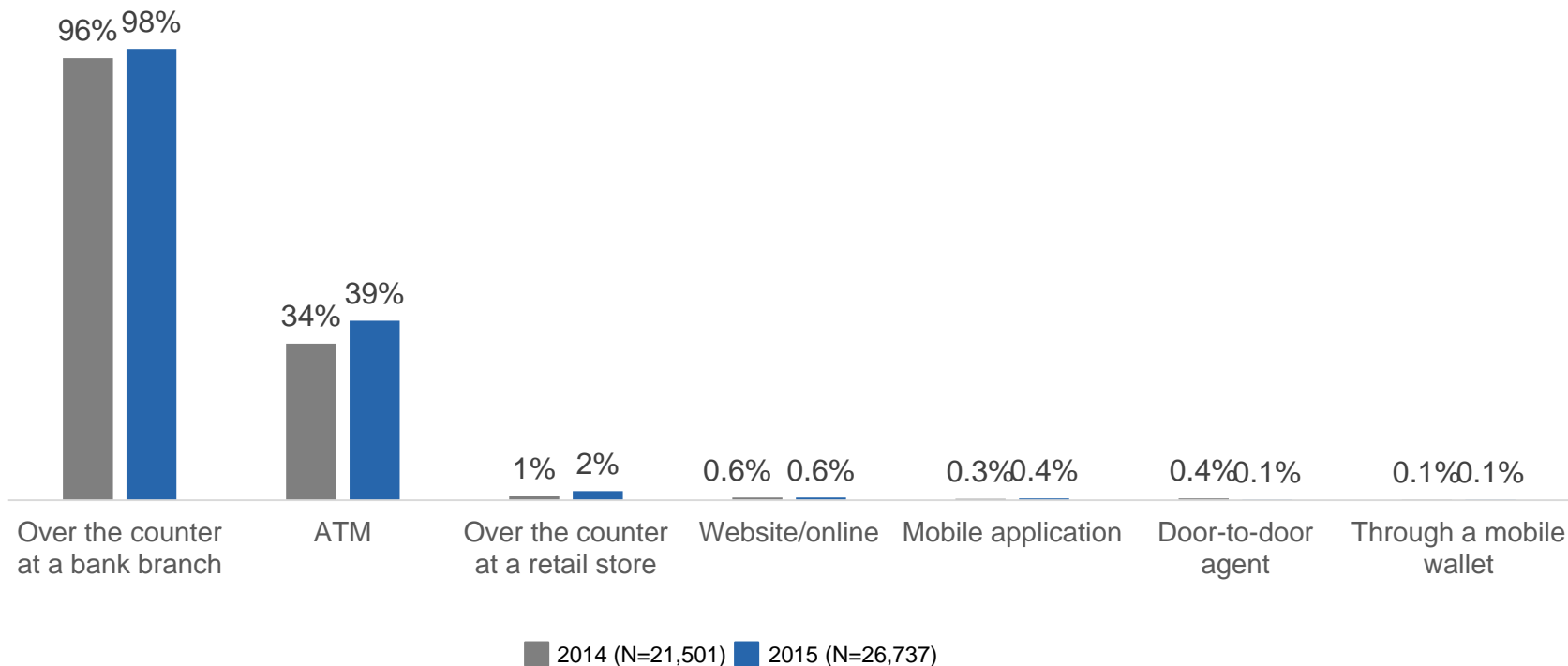
Source: InterMedia India FII Tracker surveys Wave 1 (N=45,024, 15+), October 2013-January 2014; Wave 2 (N=45,087, 15+), September-December 2014; Wave 3 (N=45,036, 15+), June-October 2015.

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Most bank account users still transact in person; ATM use continues to grow

2015: Methods of transacting with bank account

(Shown: Percentage of bank account users, by year)



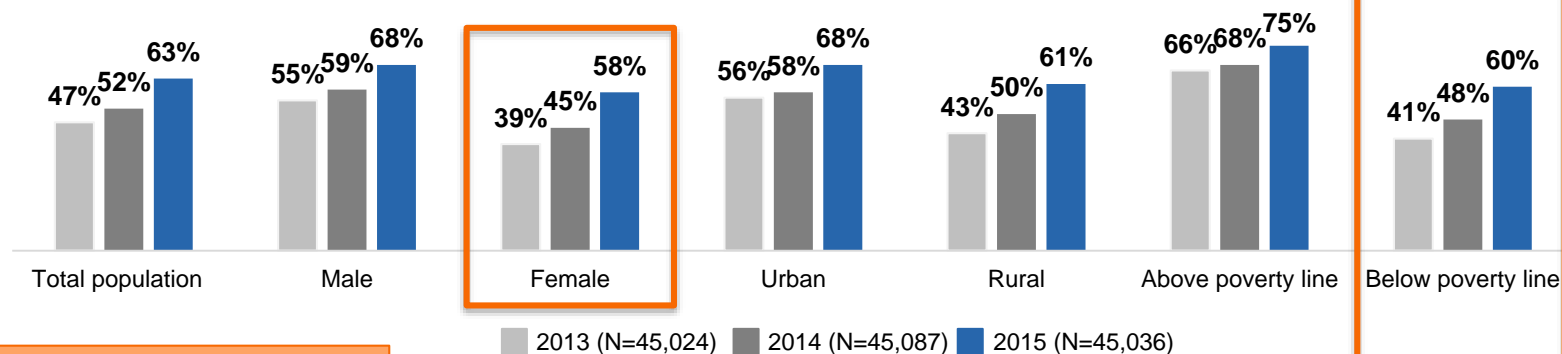
Source: InterMedia India FII Tracker survey Wave 3 (N=45,036, 15+), June-October 2015.

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Bank account ownership grew across all demographic groups; women continue to show lower levels of active use versus men

Demographic trends for registered bank account use

(Shown: Percentage of Indian adults who fall into each category, by year)

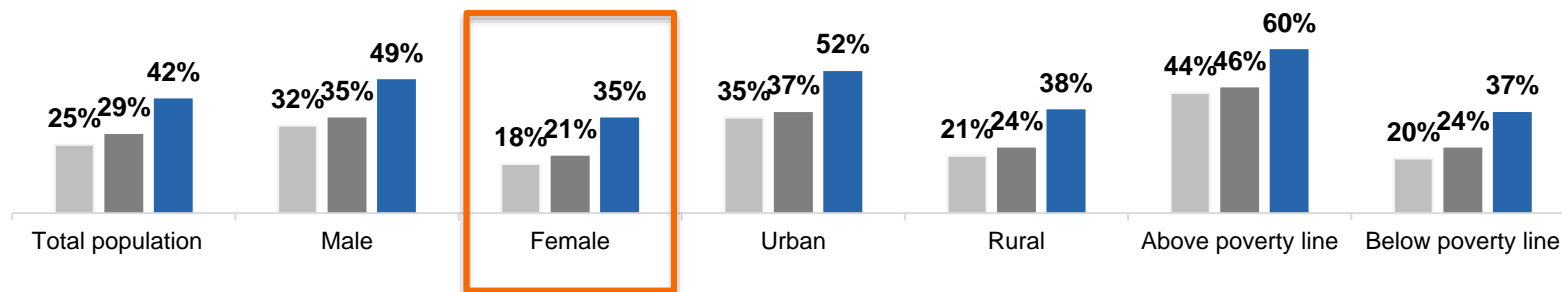


61% of women bank account holders had used their account in the past 90 days (2015).

20% of registered bank accounts for individuals living below the poverty line are part of the Pradhan Mantri Jan-Dhan Yojana (PMJDY) program (2015).

Demographic trends for active bank account use

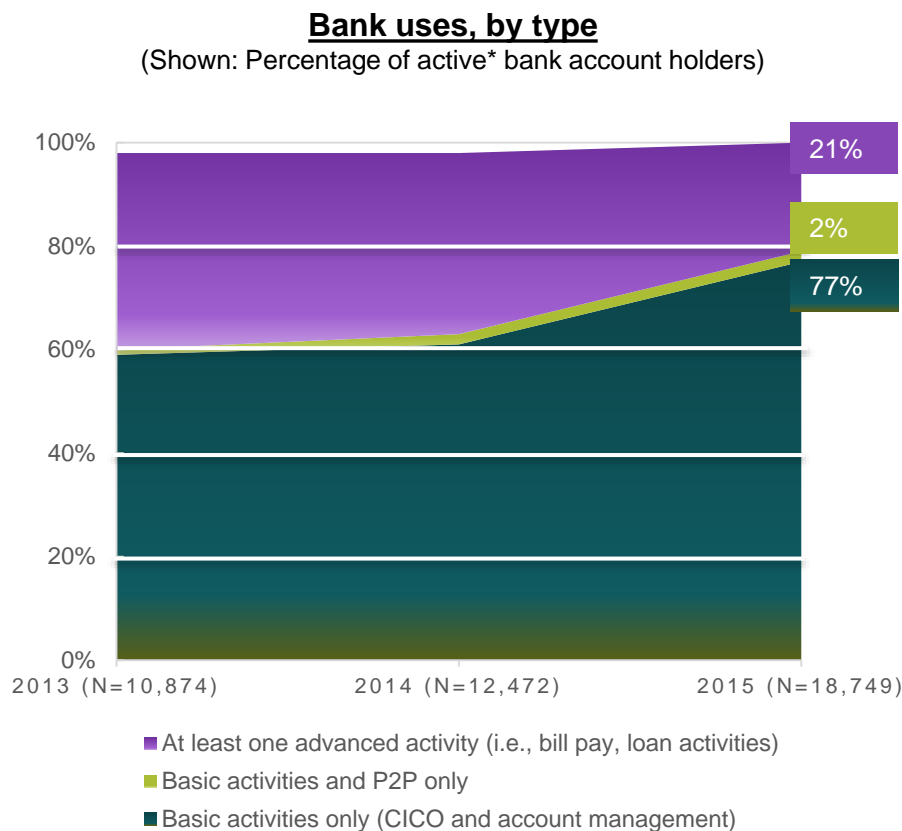
(Shown: Percentage of Indian adults who fall into each category, by year)



* Categories are not mutually exclusive.

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Bank account activities are primarily basic level, which is consistent with the influx of new bank account users



*Used the account in the last 90 days

Due to the changes in the questionnaire some data points may not be directly comparable across years.

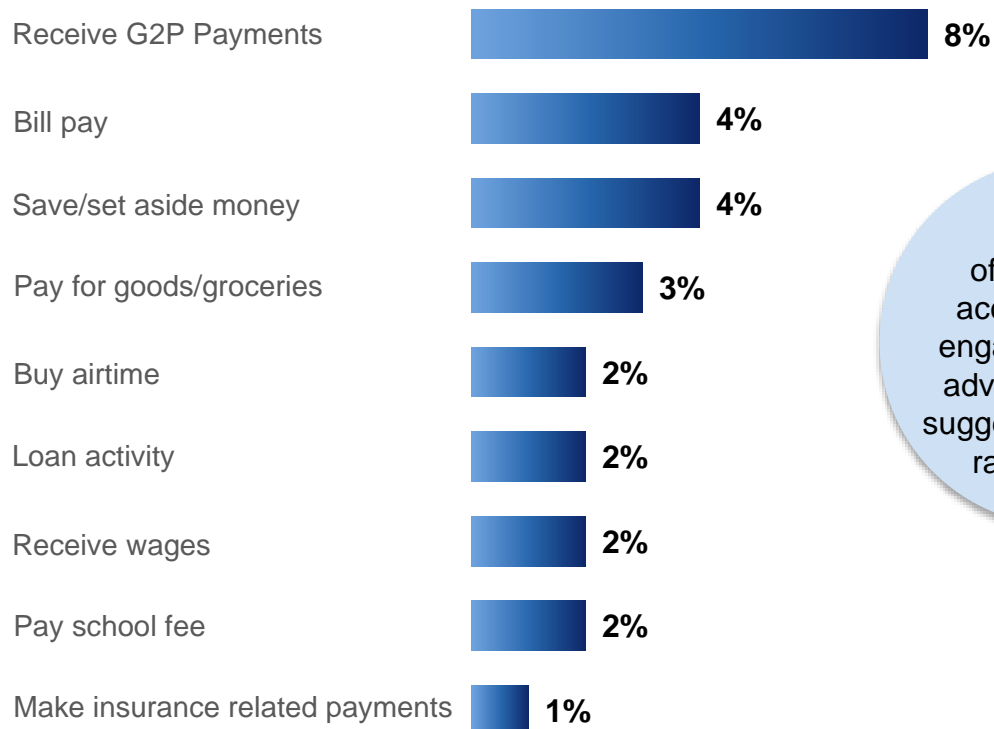
Source: InterMedia India FII Tracker surveys Wave 1 (N=45,024, 15+), October 2013-January 2014; Wave 2 (N=45,087, 15+), September-December 2014; Wave 3 (N=45,036, 15+), June-October 2015.

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Few active bank account holders use their accounts for advanced purposes

2015: Advanced bank account uses

(Shown: Percentage of active bank account holders, n=18,749)



21%

of active registered users have used at least one advanced function through their account

(vs. 35% in 2014 and 38% in 2013*)

15%
of active bank account holders engage in just one advanced activity, suggesting a diverse range of uses

*Due to the changes in the questionnaire some data points may not be directly comparable across years. Question allowed for multiple responses.

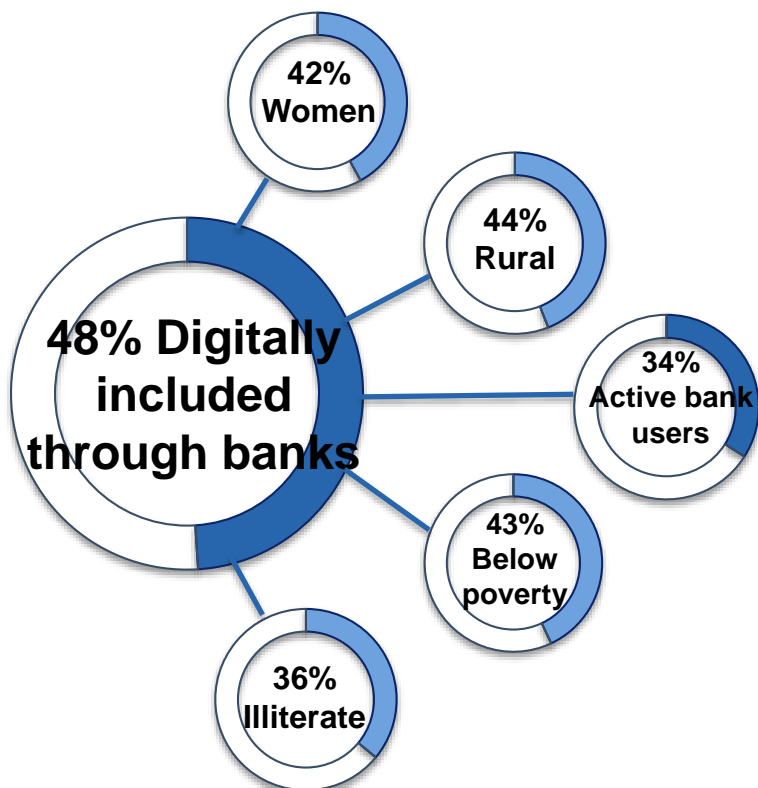
Source: InterMedia India FII Tracker survey Wave 3 (N=45,036, 15+), June-October 2015.

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Almost half of all Indians have digital access through a bank

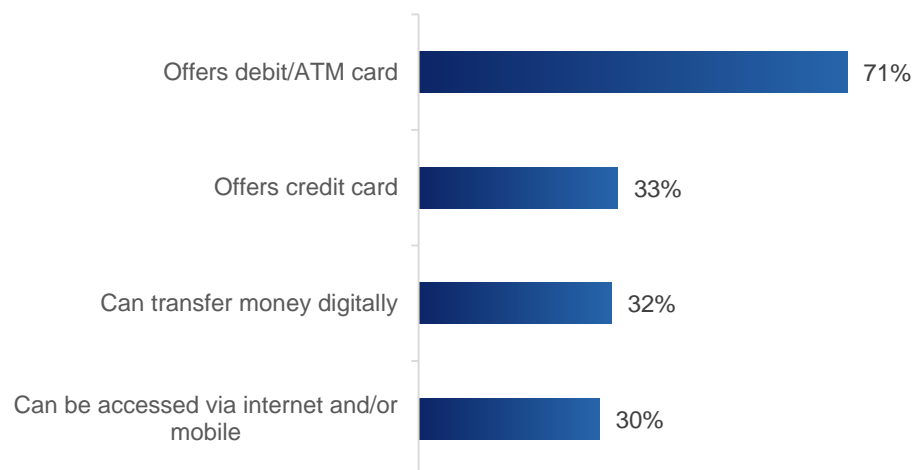
2015: Digital bank access by demographic

(Shown: Percentage of Indian adults)



2015: Digital access among active bank account holders

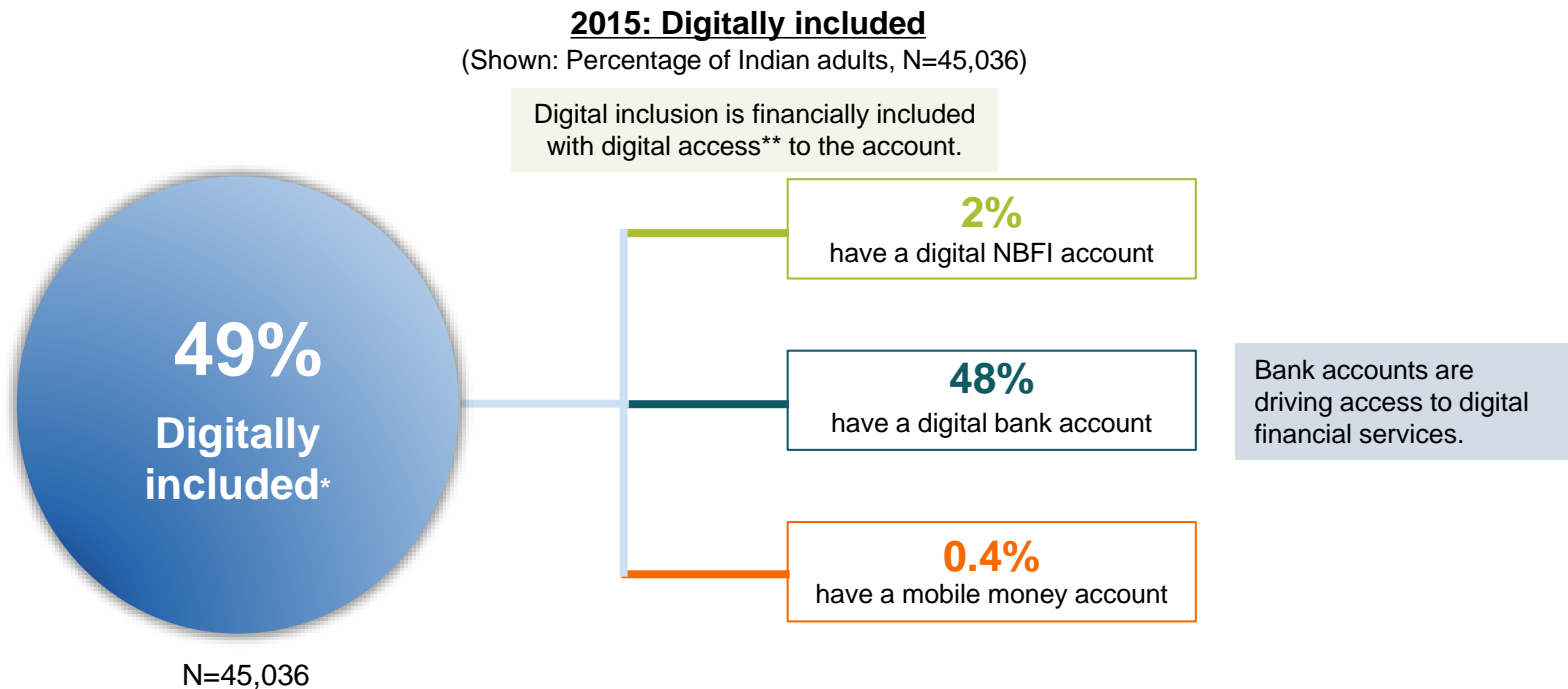
(Shown: Percentage of active bank account holders, n=18,749)



Digital bank accounts are those that offer at least one of the following options: debit/ATM or credit cards, internet or mobile access, or a digital money transfer capability.

Source: InterMedia India FII Tracker survey Wave 3 (N=45,036, 15+), June-October 2015.

Nearly half of all adults have digital access to an account



*Overlap representing those who have multiple kinds of financial accounts is not shown.

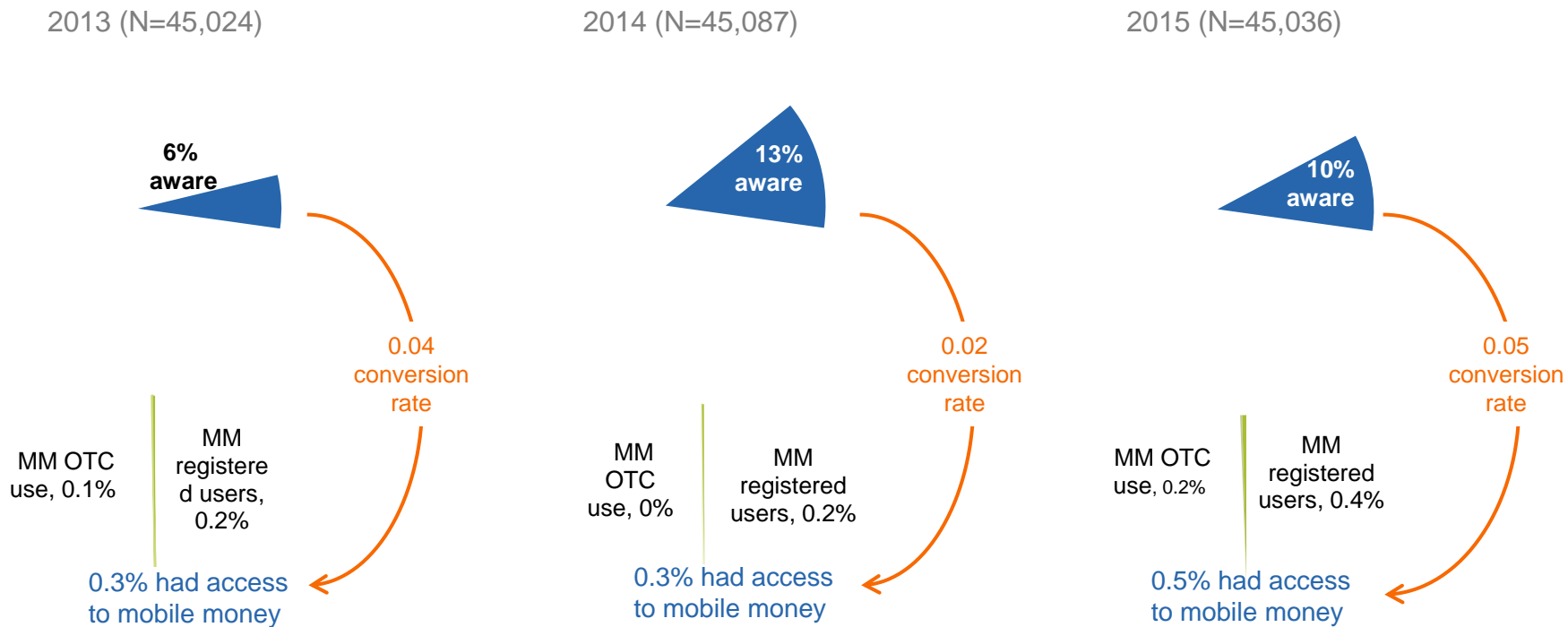
**Digital access to an account means that an individual can access their account via any number of electronic platforms, including debit and credit cards, electronic money transfers, or mobile phones.

Source: InterMedia India FII Tracker survey Wave 3 (N=45,036, 15+), June-October 2015.

Mobile money awareness and use remain low

Conversion from awareness of mobile money providers* to mobile money use

(Shown: Percentage of Indian adults for each year)



*Awareness of at least one mobile money provider

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.

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Active digital stored-value account holders have nearly doubled among below-poverty populations and rural women

Main FSP Indicator	2014	2015	Base Definition
	%	%	
	Base n	Base n	
Adults (15+) who have active digital stored-value accounts	22%	34%	All adults
	45,087	45,036	
Poor adults (15+) who have active digital stored-value accounts	17%	29%	All poor
	35,511	35,421	
Rural women (15+) who have active digital stored-value accounts	12%	23%	All rural females
	17,759	18,027	
Adults (15+) who have active digital stored-value accounts and use them to access other financial services (beyond basic wallet, P2P and bill pay)*	9%	7%	All adults
	45,087	45,036	
Poor adults (15+) who have active digital stored-value accounts and use them to access other financial services (beyond basic wallet, P2P and bill pay)	7%	5%	All poor
	35,511	35,421	
Rural women (15+) who have active digital stored-value accounts and use them to access other financial services (beyond basic wallet, P2P and bill pay)	5%	5%	All rural females
	17,759	18,027	

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 NBFIs 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.

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The Financial Inclusion Insights program is operated by InterMedia and supported by the Bill & Melinda Gates Foundation. All data and materials resulting from the program are the property of the Gates Foundation, but the findings and conclusions within are those of the authors and do not necessarily reflect positions or policies of the foundation.



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