

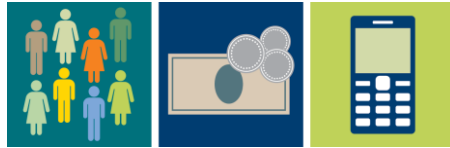
# FINANCIAL INCLUSION **insights**

APPLIED RESEARCH FOR  digital financial inclusion

## INDIA

### FINANCIAL SERVICES USE AND EMERGING DIGITAL PATHWAYS

Highlights from the FII Tracker Survey  
And the Digitized Government Payments Qualitative Study  
Conducted October 2013-January 2014



## 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 conducts regular survey and qualitative research in [Kenya](#), [Tanzania](#), [Uganda](#), [Nigeria](#), [India](#), [Pakistan](#), [Bangladesh](#) and [Indonesia](#) to:

- **Track access to and demand** for financial services generally, and the uptake and use of DFS specifically;
- **Measure adoption and use** of DFS among key target groups (females, BOP, rural, unbanked, 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** to support product and service development and delivery, based on rigorous FII data.

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The FII program is managed by InterMedia. Visit the FII Resource Center to learn more: [www.finclusion.org](http://www.finclusion.org).

## CONTENTS

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About this Report	4
Key Definitions in this Report	5
Methodology Summary	6
Background	7
Key Findings	9
Digital Financial Inclusion Indicators	13
Detailed Findings	16
– General Financial Behavior	16
– Banking Services Access and Use Trends	23
– Mobile Phone Access & Emerging Mobile Money Services	29
– Potential for Digital Government Payments	36
Methodology and Research Description	46
Glossary	51

## ABOUT THIS REPORT

- The report presents findings on financial behavior among Indian adults. In particular, the focus is on the access and use of banking services and mobile money services; as well as triggers and barriers for potential uptake.
- This analysis presented in this report is based on:
  - **The Tracker Survey:** A nationally representative survey of 45,024 Indian adults, ages 15 and older, conducted from Oct. 15, 2013, to Jan. 8, 2014, on access and use of financial services, as well as barriers and potential for future use. Reported data: All percentages in this report are weighted to reflect national-level proportions. All bases (n=numbers) in this report are unweighted and represent the actual number of people interviewed in the survey.
  - **The Digitized Government Payments Study:** A qualitative study with government-payment beneficiaries across four districts in the state of Maharashtra conducted Dec. 13-23, 2013, focusing on the potential for digital government payments to expand financial inclusion.
- **Areas of Focus:** The report contains separate sections on:
  - General financial behavior
  - Banking services—access and use trends
  - Emerging mobile money services
  - The potential for digitized government payments

InterMedia partnered with IMRB International to conduct this research in India.

The Financial Inclusion Insights program is being carried out with funding from the Bill & Melinda Gates Foundation. All survey materials and data resulting from this study are the property of the Bill & Melinda Gates Foundation, but the findings and conclusions presented in this report are those of the authors and do not necessarily reflect positions or policies of the Foundation.

## INDIA

## KEY DEFINITIONS IN THIS REPORT

- **Access to an account**—An individual has access to an account if he/she has used either mobile money or bank services, at least once, either via their own account or via an account of another person.
- **Account holder**—An individual who has a registered bank or mobile money account.
- **Active account holder**—An individual who has a registered bank or mobile money account and has used it in the last 90 days.
- **Bank/banking services**—All services offered by a bank through a branch, ATM, kiosk, business correspondent, or other delivery channel. For analysis on banking, the focus is on active bank account holders, who best represent what is commonly understood as financially included individuals.
- **Digital account**—A bank account or a mobile money account.
- **Digital financial services (DFS)**—All bank and mobile money services.
- **Mobile money services**— Mobile money services include 1) non-bank semi-closed mobile money accounts/wallets and 2) full service mobile money bank accounts that allow for cash withdrawals. Semi-closed mobile wallets are *not* considered to be bank accounts, while full service mobile money bank accounts are considered bank accounts. Since the mobile money market is new and uptake is low, the focus is not on active account holders but on those who have accessed mobile money through their own or someone else’s account.
- **Poor/below poverty line** —In this report, “poor” adults, or those living below the poverty line, are defined as those living on less than \$2.50 per day, as classified by the Grameen Progress out of Poverty Index (PPI).
- **Semi-closed mobile money account/wallet**—An account that allows the customer to cash-in, buy airtime, or make other purchases (e.g., buy train tickets), but not to withdraw money without first transferring it to a formal, full-service bank account.

*These definitions are aligned with the metrics used by the Financial Services for the Poor initiative at the Bill & Melinda Gates Foundation to track global developments in financial inclusion and measure the impact of interventions on poor people’s lives. (See full Glossary for additional definitions of terms used in this report.)*

## METHODOLOGY SUMMARY

### FII Tracker Survey

- Nationally representative survey (N=45,024) of Indian individuals aged 15+ conducted annually
- Face-to-face interviews lasting an average of 43 minutes
- First survey (Wave 1) conducted from Oct. 15, 2013, to Jan. 8, 2014
- Provides baseline measurements —subsequent annual surveys will measure trends and track market developments in digital financial services (DFS). **The next annual survey will be conducted between September and December 2014.**

### Digital Government Payments Study

- Sixteen focus group discussions conducted Dec. 13-23, 2013, with government-payment beneficiaries across four districts in Maharashtra—Amravati, Wardha, Mumbai Suburban and Pune; these districts were part of the initial direct benefit transfer (DBT) rollout in 2013 across 121 districts
- Beneficiaries selected from three categories of schemes that disburse periodic payments—social security pensions (old age, disability and widow), post-matric scholarships (caste-based, for low-income students) and National Rural Employment Guarantee Scheme (NREGS)
- Within schemes, two groups of beneficiaries: those who receive payments through DBT and those who receive payments in non-DBT form (e.g., cash, checks, etc.)

## INDIA

## BACKGROUND

## FINANCIAL SERVICES IN INDIA

- India's commitment to financial inclusion goes back several decades and has been led by the Reserve Bank of India (RBI) and the Indian government. Financial inclusion policies focus on expanding access to formal financial services, especially banking services, in rural areas and among poorer people through broad initiatives to:
  - Open basic bank accounts for all unbanked households—especially those in rural areas and low-income populations.
  - Expand branchless banking, where a physical branch is not practical, through the business correspondent (BC) model that relies on an external agent network and digital financial services (DFS) such as micro-ATMs and mobile money services.
  - Extend microcredit through savings groups known as self-help groups (SHGs) and microfinance institutions (MFIs). SHGs and MFIs have been allowed to link with formal banks, broadening the financial services they can provide to their customers.
  - Expand and deepen access to financial services through cooperative banks, post office accounts, regional rural banks (RRBs) and kisan (farmer) credit cards.
  - Introduce electronic benefit transfer programs (initiated by both central and state governments) to drive bank account use among the poor by directly depositing social welfare payments into beneficiaries' bank accounts.
- While RBI's focus on the number of new bank accounts opened may help measure the “first step” to financial access (i.e., access to an account), it may also be beneficial to track active accounts to measure deepening of financial access. Measuring access to an account without examining active use may prove to be less meaningful.

*Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013–January 2014*

## BACKGROUND

# FINANCIAL SERVICES IN INDIA (cont.)

- The digital financial services (DFS) market primarily consists of formal banks and the BC model. Generally, banks work with distribution partners, who serve as BCs to provide branchless banking through a network of agents (also known as customer service points) who visit customers door-to-door or operate out of existing stores.
- This allows banks to take advantage of their partners' extensive retail network to acquire customers and drive transactions in rural areas.
- Mobile money providers can offer semi-closed accounts on their own but they must partner with banks as their BCs to offer customers full-service mobile money bank accounts that allow for cash withdrawals.
- To access a full-service mobile money account, users need to be registered with the mobile money provider and a partnering bank. As a result, the majority of respondents who use mobile money services have registered accounts.
- Currently, uptake for DFS services is low. Banks, their BCs, including mobile money providers, need to be incentivized to design and deliver targeted and convenient products and services, particularly for excluded groups.

*Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013-January 2014*

*IFC Mobile Money Scoping report 2013; Reserve Bank of India; "Microfinance India- State of the Sector Report 2013"*



## INDIA

## KEY FINDINGS

## GENERAL FINANCIAL BEHAVIOR

- **The financial services market in India is characterized by a high reliance on cash.** Across all demographic groups, the majority of people use cash for a range of transactions including grocery payments, paying utility bills and school fees, buying airtime top-ups for mobile phones, and sending and receiving money for support and allowances.
- **More than 90 percent of those who receive remittances and wages for a job do so through cash.** Direct deposits to bank accounts and checks are more common in urban centers and among wealthier respondents.
- The majority of those who receive wages, receive them in cash. But in the most populated cities of India (Delhi, Mumbai and its greater suburban areas, Pune, Hyderabad, Ahmadabad, Bangalore), between 13 and 31 percent said they receive their wages through direct deposit to their bank accounts.
- **Seventy percent of those who save money do so in a bank and 35 percent save at home.** Nationally, three percent save through village-level savings groups. However, village-level savings groups are relatively more popular in states such as Andhra Pradesh (23 percent), Chhattisgarh (18 percent) and Maharashtra (14 percent).
- **Most borrowers rely on those within their personal networks,** including relatives, neighbors and friends (67 percent). Eleven percent of borrowers borrow from a bank, 12 percent borrow from a private money lender and four percent borrow within their savings group. Borrowing through informal channels such as money lenders is more prominent in Bihar.
- **Seventy two percent said they “fully trust” state-owned banks.** A similarly high proportion of trust is placed in the Life Insurance Corporation of India and India Post. Rural institutions such as regional rural banks (promoted by the central bank) and village-level savings groups also have moderately high levels of trust. Private banks, especially those that are foreign owned, are far less trusted. Most respondents don’t know about mobile money and, as a result, most did not provide a level-of-trust response.

Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013-January 2014

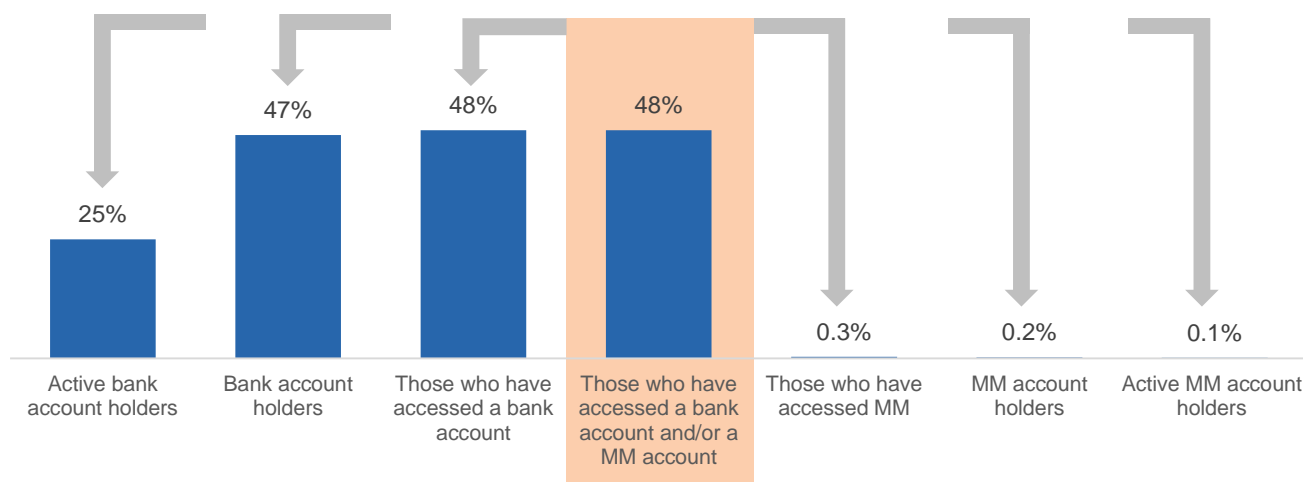
## INDIA

### KEY FINDINGS

## DIGITAL FINANCIAL SERVICES

Forty-eight percent of respondents have accessed a bank account and 25 percent of respondents actively use a bank account. Only 0.3 percent have accessed a mobile money account.

Percentage of Indian adults who fall into each category (N=45,024)



#### Access to an account

An individual has access to an account if he/she has used either mobile money or bank services, at least once, either via their own account or via an account of another person

#### Account holder

An individual who has a registered bank or mobile money account

#### Active account holder

An individual who has a registered bank or mobile money account and has used it in the last 90 days

- **Six percent of Indian adults are aware of any mobile money products** (awareness is based on both spontaneous and prompted recall). Awareness is significantly higher in major cities across India, and is higher among those above the poverty line compared with those below the poverty line.
- **Of those who use mobile money, sending money to other people and topping-up airtime are the most common reasons for use.**

## INDIA

## KEY FINDINGS

## DIGITAL FINANCIAL SERVICES (cont.)

## BANKING SERVICES

- **Forty-seven percent of respondents have their own bank account and most of these are savings accounts.** Current accounts, recurring deposit accounts or fixed deposit accounts are not common.
- **Only 54 percent\* of bank account holders have used their bank accounts actively** (i.e., in the past 90 days). Forty-six percent\*\* do not use them actively.
- **State breakdowns of active and inactive users show that most states have equal proportions of active and inactive bank account users.**
- **Fifty-five percent of those with active bank accounts said they started using a bank account to save or store money.** Twelve percent said they opened a bank account to receive money from a government agency/organization. The top uses for banks are depositing and withdrawing money, saving, and paying for goods at a grocery store.
- **There are disparities in access and especially active use of bank accounts across gender and location *within* states** that often mirror socio-economic differences in India.
- In Punjab, Rajasthan and Jharkhand, there is a large gender gap between male and female active bank account use.
- Active bank account use is higher than the national average in India's megacities such as Mumbai in Maharashtra, Ahmedabad in Gujarat, Bangalore in Karnataka, Kolkata in West Bengal, and Hyderabad in Andhra Pradesh. As a result, active use varies greatly between urban and rural populations in these states. In Gujarat, for instance, urban bank account holders are almost twice as likely as their rural counterparts to use these accounts actively.
- Nationally, 11 percent of borrowers borrow money from a bank. But borrowing from banks is more common in Maharashtra (78 percent), Gujarat (60 percent) and Kerala (58 percent).

*\*25 percent of the entire sample size \*\* 22 percent of the entire sample size*

*Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013-January 2014*

## INDIA

## KEY FINDINGS

## DIGITIZED GOVERNMENT PAYMENTS

- In recent years, the central government of India and some state governments have begun transferring welfare and benefit payments directly into beneficiaries' bank accounts to ensure accountability, and safe and complete delivery of payments. **Twelve percent of survey respondents said they receive payments from the government** (excluding government salary payments).<sup>\*</sup> Among those who have received government payments in the last six months, 35 percent receive their payments via direct deposit to a bank account. While the majority of payments are received in full, 13 percent of government payment recipients report having to pay bribes to receive their payments.
- InterMedia conducted a qualitative study with government-payment beneficiaries across four districts in the state of Maharashtra. The focus was on the central government's Direct Benefit Transfer (DBT) program and its potential to expand financial inclusion. **Findings from this qualitative study include:**
  - **Digitized government payments have the potential to help drive greater use of digital financial services but challenges remain.** Beneficiaries see advantages of using the DBT method to receive payments into their bank accounts, including fewer delays and full receipt of payment. But the process of switching to DBT needs to be easier and more efficient. **Recommendation: Registration and payment tracking services should be linked to UID numbers. <sup>\*\*</sup>**
  - **Benefit payments are small, sometimes infrequent, and do not currently help to expand digital transactions.** Awareness of digital financial services (DFS) is low, but many are interested in learning more about conducting electronic transactions, including savings. **Recommendation: The use of voice-based applications can help raise financial awareness among mobile phone owners with low literacy and low digital skills.**
  - **Beneficiaries have to be incentivized** to reduce payment cash-outs and to use linked digital products. Banks also need incentives to design and market products to DBT account holders. **Recommendation: Interest-bearing savings products and bill payment services should be added onto beneficiary bank accounts to encourage digital financial services uptake.**

<sup>\*</sup>90 percent of these respondents are below the poverty line.

<sup>\*\*</sup> Since the election of the new central government (May 2014), Indian media has reported the multi-purpose national identity card (MPNIC) program, based on the national population register (NPR), might replace or be used in conjunction with the UID to disburse DBT payments. <http://economictimes.indiatimes.com/news/politics-and-nation/rajnath-singh-talks-of-issuing-national-identity-cards-end-of-uidai-in-sight/articleshow/36780617.cms>

Sources: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013-January 2014 & InterMedia India FII Digitized Government Payments Study, December 2013

## INDIA

# DIGITAL FINANCIAL INCLUSION INDICATORS

Indicators	%	Base n
% of adults (15+) who have ever accessed a bank account	48%	45,024
% of adults (15+) who have ever accessed a mobile money account	0.3%	45,024
% of adults (15+) with active digital accounts* (either a bank account or a mobile money account used in the last 90 days)	25%	45,024
% of adults (15+) below the poverty line** with active digital accounts	20%	35,478
% of males (15+) with active digital accounts	32%	18,510
% of females (15+) with active digital accounts	18%	26,514
% of rural males (15+) with active digital accounts	26%	12,923
% of rural females (15+) with active digital accounts	15%	18,348
% of adults (15+) who use at least one digital financial service beyond basic wallet, person-to-person (P2P) and bill pay payments	5%	45,024
% of adults (15+) below the poverty line who use at least one digital financial service beyond basic wallet, P2P and bill pay payments	4%	35,478
% of males (15+) who use at least one digital financial service beyond basic wallet, P2P and bill pay payments	7%	18,510
% of females (15+) who use at least one digital financial service beyond basic wallet, P2P and bill pay payments	3%	26,514
% of rural males (15+) who use at least one digital financial service beyond basic wallet, P2P and bill pay payments	5%	12,923
% of rural females (15+) who use at least one digital financial service beyond basic wallet, P2P and bill pay payments	2%	18,348

**\*Digital account.** —A bank account or a mobile money account.

**\*\*Below the poverty line** refers to adults living on less than \$2.50 per day, as classified by the Grameen PPI.

Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013-January 2014

## INDIA

### Digital Financial Inclusion Indicators by State

State	% of adults who have ever accessed a bank account	% of adults with active digital accounts	% of adults below the poverty line with active digital accounts	% of males with active digital accounts	% of females with active digital accounts	% of rural males with active digital accounts	% of rural females with active digital accounts
Goa	71	45	44	41	50	55	52
Kerala	66	33	27	41	26	34	25
Tamil Nadu	62	34	30	39	29	34	34
Delhi	60	38	32	46	30	–	–
Andhra Pradesh	58	29	23	37	21	30	20
Himachal Pradesh	57	32	32	43	22	42	19
Maharashtra	56	35	28	44	27	34	17
Punjab	54	25	15	36	14	31	10
Uttarakhand	53	28	25	33	24	23	25
Uttar Pradesh	51	22	19	28	15	26	14
Karnataka	49	31	24	41	22	33	20
Haryana	48	26	20	33	17	28	14

All percentages reflect individuals ages 15+

Source: InterMedia India FII Tracker Survey (N= 45,024, 15+) October 2013-January 2014

## INDIA

### Digital Financial Inclusion Indicators by State (cont.)

State	% of adults who have ever accessed a bank account	% of adults with active digital accounts	% of adults below the poverty line with active digital accounts	% of males with active digital accounts	% of females with active digital accounts	% of rural males with active digital accounts	% of rural females with active digital accounts
Gujarat	45	26	13	33	17	19	8
West Bengal	41	25	20	32	17	25	13
Jharkhand	41	20	17	29	11	21	11
Madhya Pradesh	40	22	19	29	14	23	11
Rajasthan	40	20	17	28	12	23	11
Chhattisgarh	39	21	17	29	13	26	12
Bihar	34	16	14	20	10	18	10
Assam	33	21	16	27	16	22	10
Orissa	33	19	15	26	12	21	11
North East Cluster*	30	18	17	23	13	20	10

\* Includes states of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Sikkim and Tripura

All percentages reflect individuals ages 15+

Source: InterMedia India FII Tracker Survey (N= 45,024, 15+) October 2013-January 2014

INDIA

## DETAILED FINDINGS GENERAL FINANCIAL BEHAVIOR





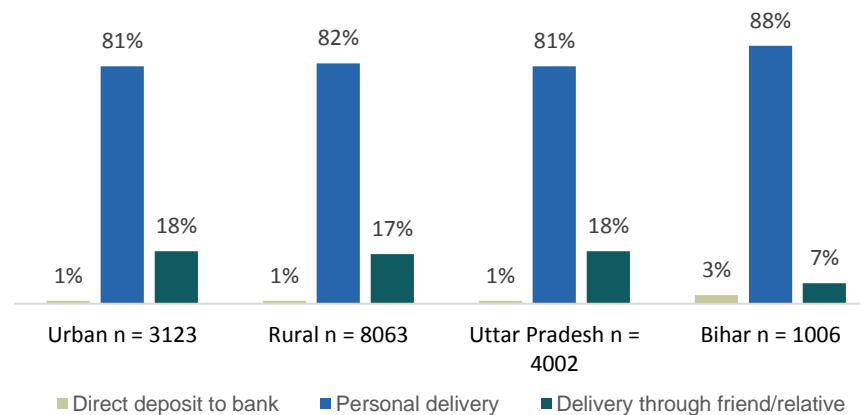
## INDIA

### High reliance on cash for regular transactions, as well as for remittances and wages

- Across all states and major cities of India, and across demographic groups, the majority of people use cash for a range of transactions including grocery payments, paying utility bills and school fees, buying airtime top-ups for mobile phones, and sending and receiving money for support and allowances.
- Regardless of demographic or geographic groups, money for regular support and allowances is largely received in cash and delivered personally, or by friends and relatives.
- The majority also receive their wages for primary jobs in cash – although, in the most populated cities of India, between 13 and 31 percent said they receive their wages through direct deposit to their bank accounts.\* In Pune and Ahmedabad more than 20 percent receive their wages via checks/demand drafts (i.e., cashier’s checks).

- Wealthier respondents are six times more likely to receive their wages via a direct deposit to their bank than those below the poverty line, signifying that **non-cash payment delivery methods are more common in urban centers, and among wealthier respondents.**

Most remittances received in person



Base: those that say they receive money from family members, friends, or other acquaintances for regular support/allowances.

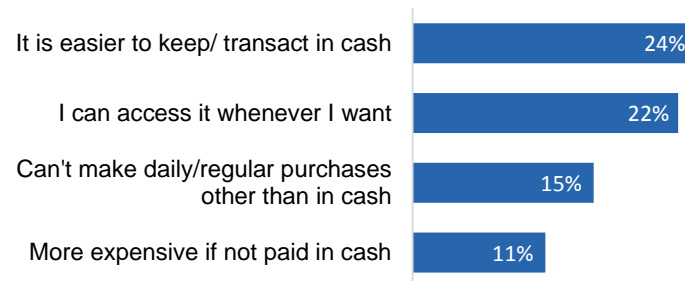
\* Nationally, 4 percent receive their wages for a primary job through direct deposit. Cities include Mumbai and its greater suburban areas, Hyderabad, Ahmedabad, Bangalore. Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013-January 2014

## INDIA

### Cash is seen as easier to access, easier to transact with

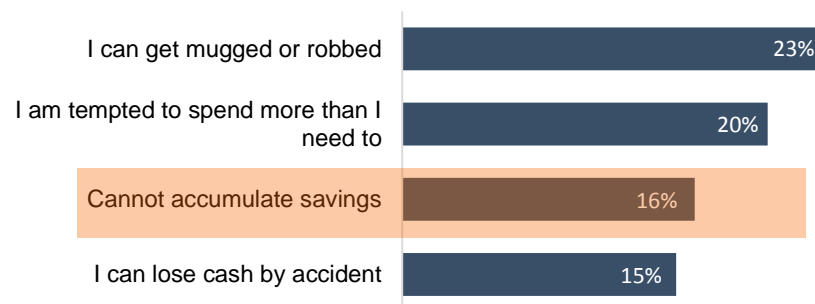
- Respondents said the most important advantages of cash are easy access and its utility for making regular transactions; although they do acknowledge maintaining their funds in cash increases the risk of theft, encourages higher spending and inhibits saving.
- Although 82 percent consider cash to be the best tool for small to medium transactions, for large transactions, banks are preferred by 59 percent. However, for 28 percent, cash is the best tool even for large transactions.

#### Most important advantage of cash



Base: 45,024 respondents

#### Most important disadvantage of cash

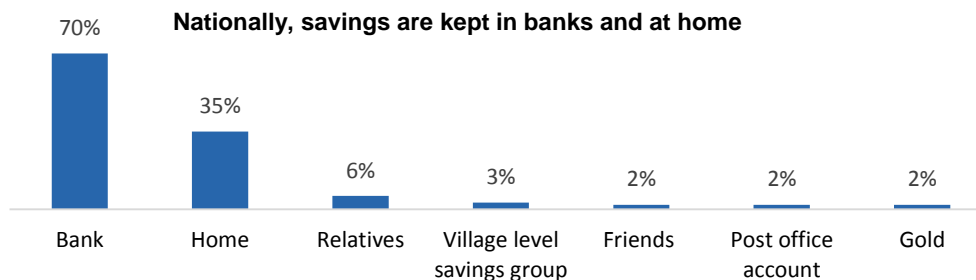


Base: 45,024 respondents

Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013-January 2014

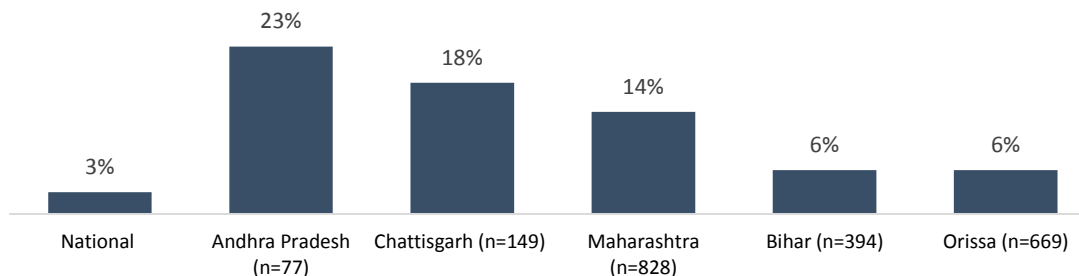
## INDIA

### Saving money: The majority of Indians who save do so through a bank or at home



Base: Percentage of respondents who said they had ever "saved money for a future purchase or payment." n=11,275

**Village-level savings groups are a more popular savings tool in some states**  
States with highest proportion of those who save through village-level savings group.



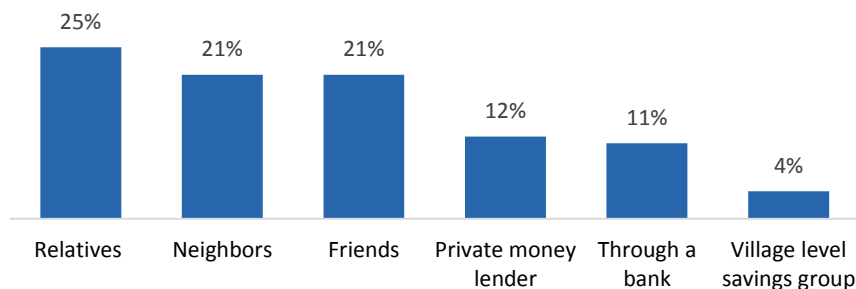
Base: Percentage of respondents who said they had ever "saved money for a future purchase or payment."

## INDIA

### Borrowing money: Nationally, borrowers reach out to personal networks

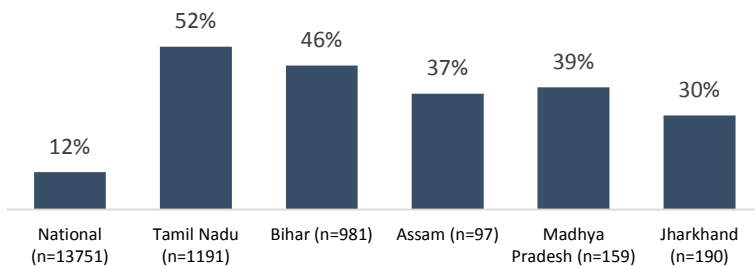
#### Sources for borrowing money—NATIONALLY

To borrow money, most turn to people they know or those close to them.



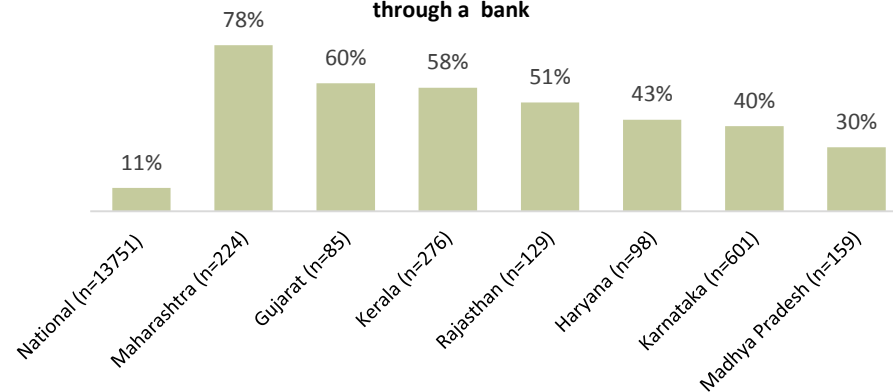
Base: Percentage of respondents who said they had ever taken a loan, n = 13,751

#### States with the highest proportion of those who take loans through a private money lender



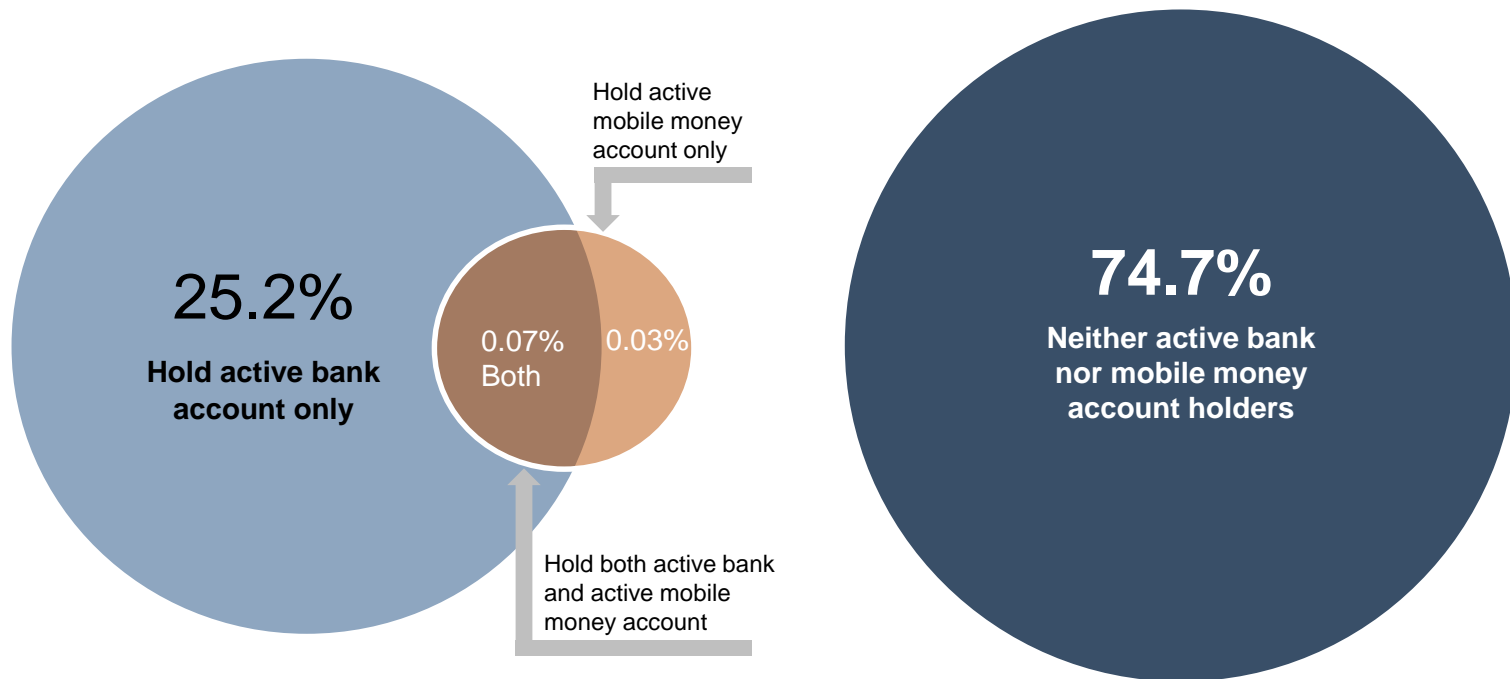
Base: Percentage of respondents within each state who said they had taken a loan

#### States with the highest proportion of those who take loans through a bank



Base: Percentage of respondents within each state who said they had taken a loan

## Active use of bank and mobile money accounts is limited



\*Active account holder—An individual who has a registered digital account and has used it in the last 90 days.

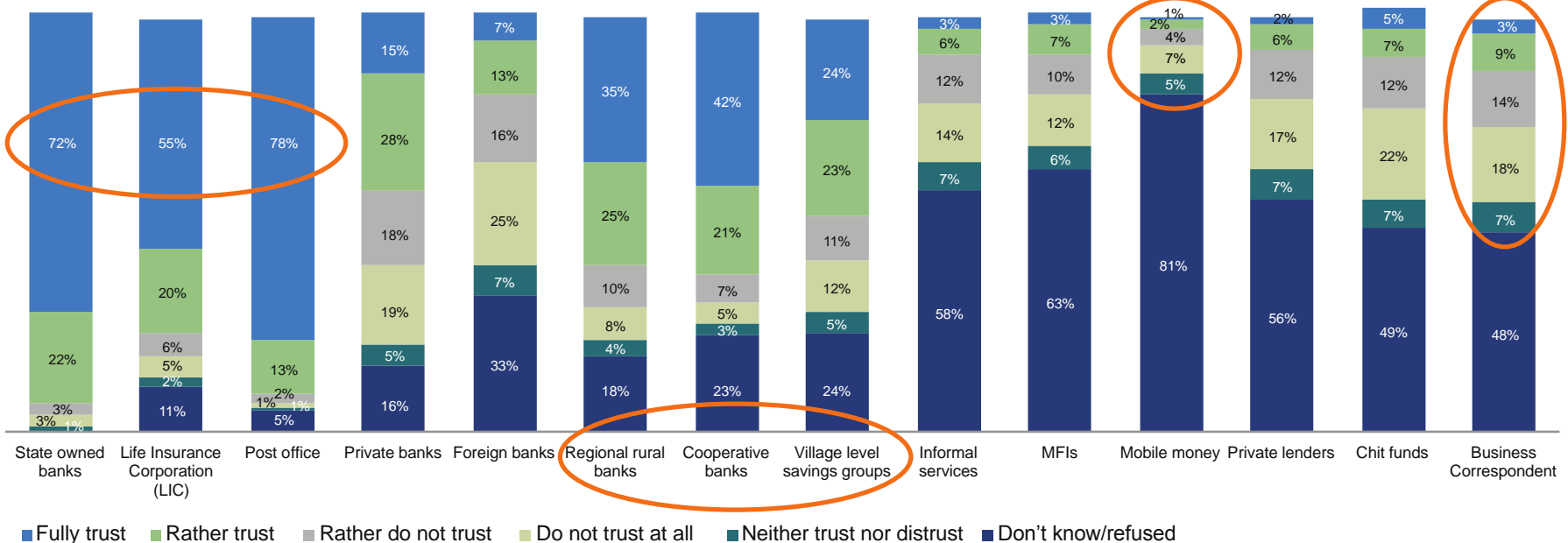
Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013–January 2014

## INDIA

### Level of Trust in Financial Institutions

Government financial institutions such as state-owned banks and the LIC enjoy high levels of trust. Mobile money and business correspondent trust levels are much lower, though the large number of “don’t know/refused” responses is related to a lack of awareness about mobile money services.

Trustworthiness of Financial Service Providers (N=45,024)



Most respondents don’t know about mobile money and, as a result, most did not provide a level-of-trust response. State-owned banks, the India Post (which provides accounts) and the Life Insurance Corporation of India enjoy the highest levels of trust. After these, village-level groups are the most trusted financial institutions. Private banks are trusted less than other banks.

Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013–January 2014

## INDIA

# BANKING SERVICES ACCESS AND USE TRENDS

**BANKING SERVICES.** Bank accounts include all services offered by a bank through a branch, ATM, kiosk, business correspondent, or other delivery channel. For analysis on banking, the focus is on active bank account holders, who best represent what is commonly understood as financially included individuals.



## INDIA

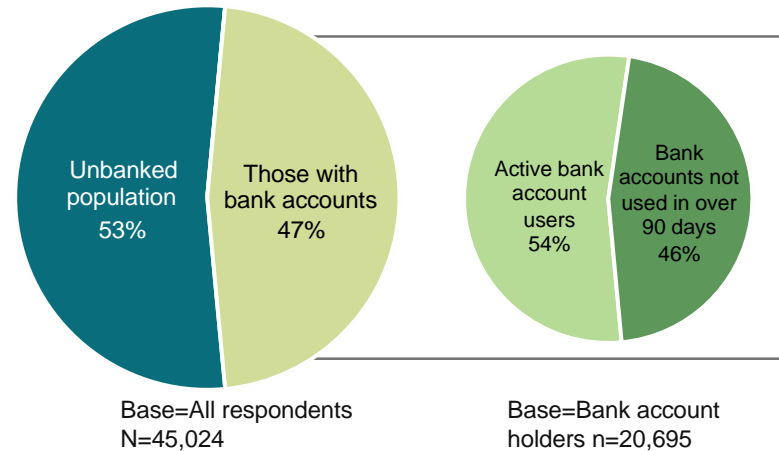
### Half of all bank accounts are not used actively

- Forty-seven percent of the respondents in the national survey have their own bank account, and most of these are savings accounts. Current accounts (mainly used by business owners with large inflows and outflows), recurring deposit accounts or fixed deposit accounts are not common.
- Although 47 percent have their own bank account, only 54 percent\* of these bank account holders have used their bank accounts actively (in the past 90 days).** Forty-six percent\*\* do not use them actively.

\*25 percent of the entire sample size

\*\* 22 percent of the entire sample size

Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013-January 2014

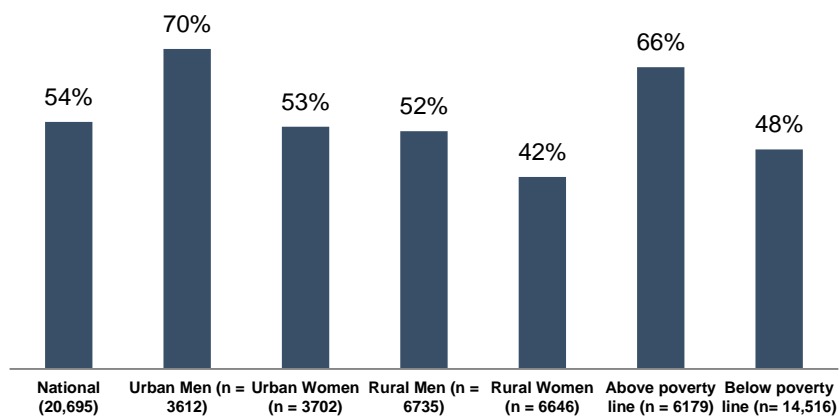




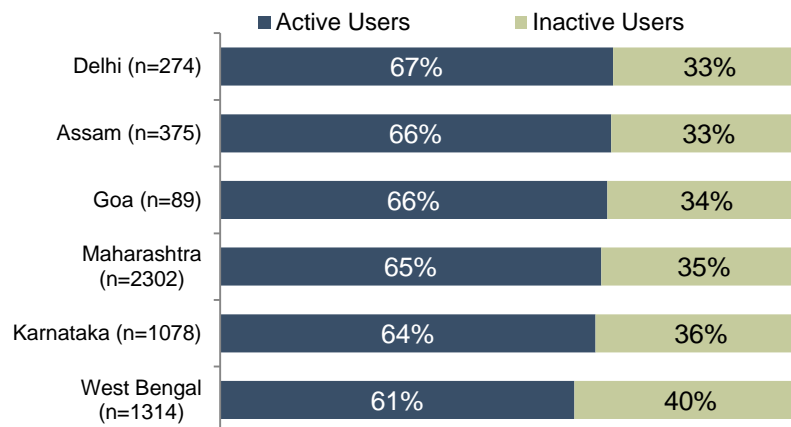
## INDIA

### Some variation in active bank use by demographic groups and states

Proportion of bank accounts that are active



Top 5 States ranked by proportion of active bank account users



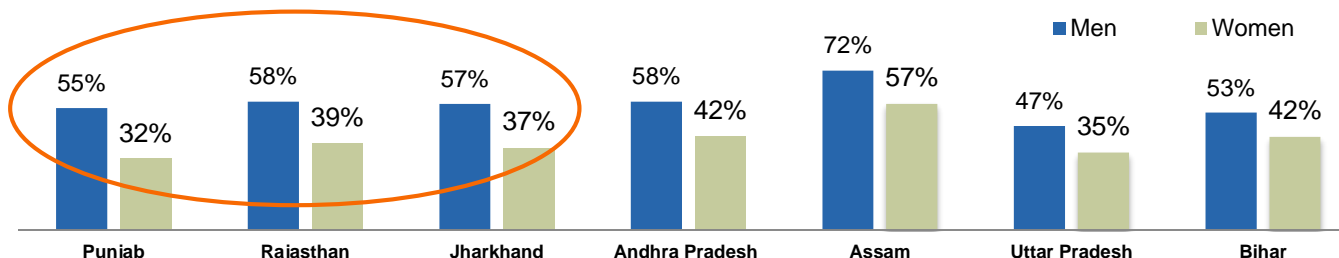
Percentages for both charts: percentage of bank account holders in each group who use their account actively (in the last 90 days).

## INDIA

### Higher variation in active banking by gender and location, *within certain states*

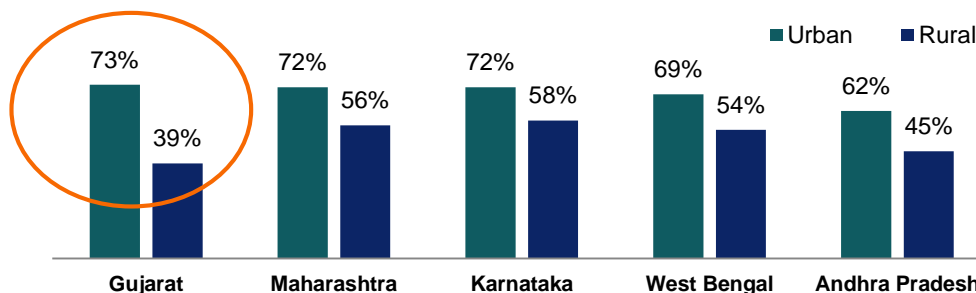
Percentages for both charts: percentage of bank account holders in each group who use their account actively (in the last 90 days)

States with highest gender gap in active bank use among bank account holders



Base: Punjab [Male = 286, Female = 305] Rajasthan [Male = 576, Female = 411] Jharkhand [Male = 260, Female = 196] Andhra Pradesh [Male = 977, Female = 542] Assam [Male = 202, Female = 173]

States with the highest urban/rural gap in active bank use among bank account holders



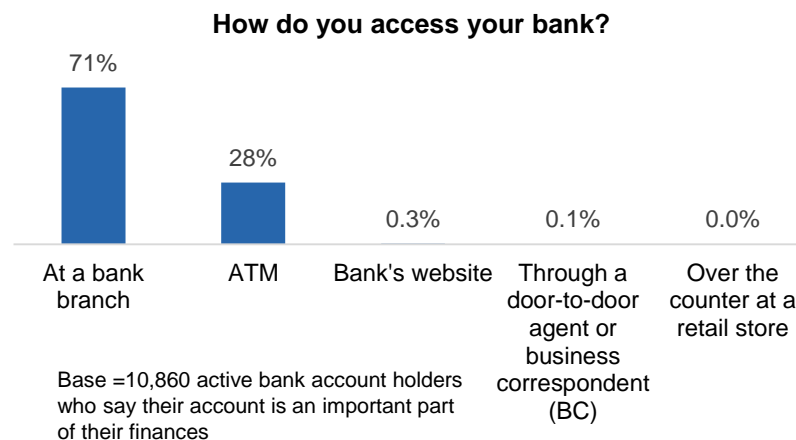
Base: Gujarat [Urban = 427, Rural = 473] Maharashtra [Urban = 1154, Rural = 1150] Karnataka [Urban = 370, Rural = 709] West Bengal [Urban = 448, Rural = 871] Andhra Pradesh [Urban = 614, Rural = 1406]

Active bank account use is higher than the national average in India's megacities such as Mumbai in Maharashtra, Ahmedabad in Gujarat, Bangalore in Karnataka, Kolkata in West Bengal, and Hyderabad in Andhra Pradesh. As a result, active use varies greatly between urban and rural populations in these states.

## INDIA

### Banking Locations and Preferences

- For a majority of active bank account holders, nationally, bank branches and ATMs are easily accessible, both are less than 5 kilometres away.
  - Seventy-seven percent of active bank account holders said their bank branch is within 5 kilometres. (Base = 10,570)
  - Eighty-four percent of active bank account holders said their ATM is within 5 kilometres. (Base = 3,323)
  - Here too, state variations exist. In Himachal Pradesh and Chhattisgarh, only 54 percent and 52 percent of active bank account holders, respectively, said their branch is within 5 kilometres. Active bank account holders are less likely than the national average to be near an ATM (less than 5 kilometres) in Assam (72 percent), Bihar (68 percent) and Himachal Pradesh (41 percent). Conversely over 90 percent of active bank account holders in states such as Delhi, Maharashtra, Gujarat and Kerala can easily access an ATM.
- Ninety percent of active bank account holders said the bank is either somewhat or very important in their finances.
- Almost all active bank account holders said access to a bank account improved the range of financial options available to them.



Most active bank account holders choose banking at a bank branch because it is “safe.” This option is favored over “ease” and “speed” of transactions.

Source: InterMedia India FII Tracker Survey (N=45,024 15+) October 2013-January 2014

## INDIA

### Saving is the main motivation for opening a bank account

Besides saving or storing money, government payments drive bank account use.

Top six uses for BANK accounts <i>(percentage of active account holders, n=10,860 active bank account holders who say their account is an important part of their finances)</i>	%
Deposit Money	90
Withdraw Money	88
Save money for future purchases or payments	17
Pay for goods at a grocery store (for example, through debit cards or monthly checks to store owners)	10
Receive wages for primary job	9
Pay for clothing shop or any other store/shop	9

Top five reasons for starting to use a BANK account <i>(percentage of active account holders. n=10,874)</i>	%
To start saving money with a bank	31
I wanted a safe place to store my money	24
I had to receive money from an organization/government agency (e.g., pension or unemployment payment)	12
Somebody requested I opened an account	7
I had to receive money from another person	6

Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013-January 2014

## INDIA

# MOBILE PHONE ACCESS & EMERGING MOBILE MONEY SERVICES

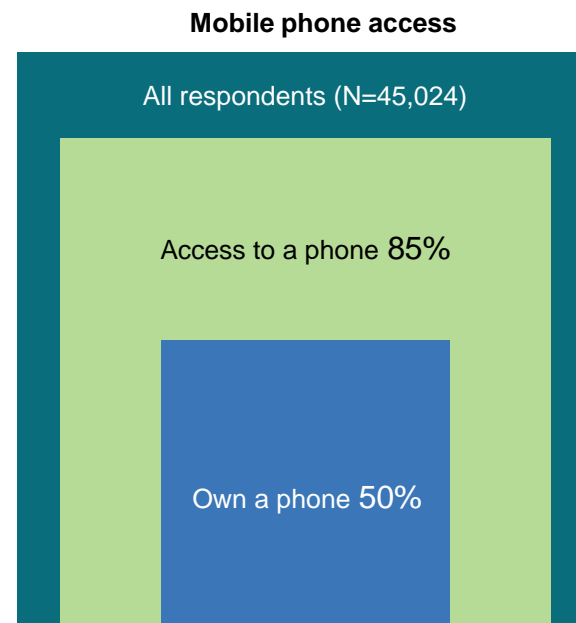
**MOBILE MONEY SERVICES.** These include both non-bank semi-closed mobile wallets and full service mobile money bank accounts that allow for cash withdrawals. Semi-closed mobile wallets are *not* considered bank accounts, while full service mobile money bank accounts are considered bank accounts. Since the mobile money market is new and uptake is low, the focus is not on active account holders but on those who have accessed mobile money.



## INDIA

### Mobile phone access\* is high, overall, but women are less than half as likely as men to own their phones

- Mobile phone access is above 75 percent across all states of India, with the exception of Assam, Orissa and Madhya Pradesh where access is lowest, between 60 and 70 percent.
- Nationally, access is consistently high across gender and location (9 percentage point difference between urban and rural).
- Differences between urban and rural access get starker when examined within states, especially within Orissa (88 percent urban compared with 56 percent rural), Madhya Pradesh (86 percent compared with 60 percent), and Assam (88 percent compared with 67 percent).
- Beyond access, personal mobile phone ownership is gendered, with 68 percent of men and only 31 percent of women saying they own their phone, nationally. Similarly, urban residents are 1.5 times more likely to own their own phone than their rural counterparts.
- Within northern states, in particular, there are significant differences in mobile phone ownership between men and women. This is especially true in states such as Haryana and Uttar Pradesh, where men are three times more likely than women to personally own a phone.



Base: (N=45,024, 15+)

*\*Access to a phone: A respondent has used a phone, either one they personally own or a phone they borrowed or paid to use that belongs to someone else.*

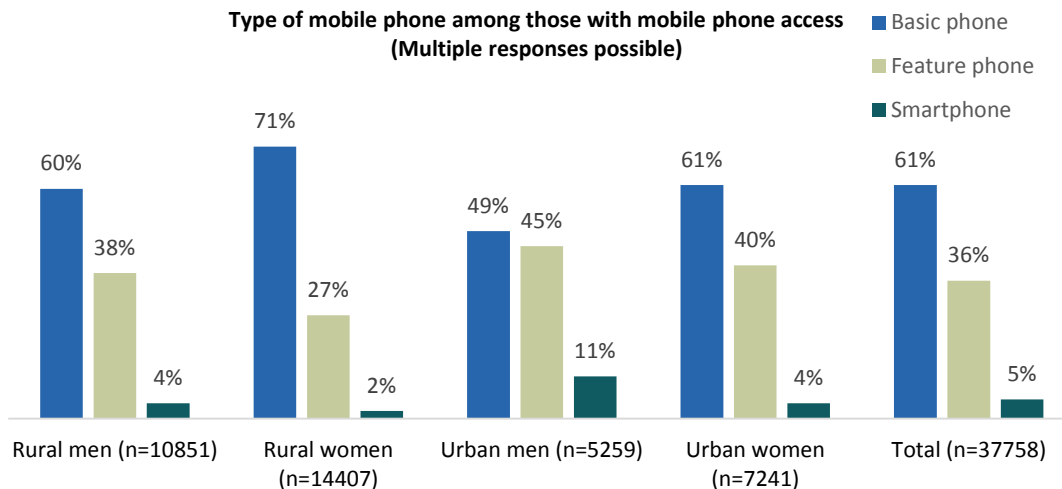
*Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013-January 2014*

## INDIA

### Smartphone penetration is low

- Most respondents have access to a basic mobile handset.
- Urban men are most likely to have access to a smartphone. Young respondents, particularly those between the ages of 15-24, are also more likely to have smartphones than those in any other age groups.

Type of mobile phone among those with mobile phone access  
(Multiple responses possible)



Base: those who have access to a mobile phone.

#### Those who have phones use them regularly

Most respondents who had access to a phone used them very often. Eighty-eight percent of respondents who had access to a phone used it in the last seven days and 58 percent used it the day before the interview.

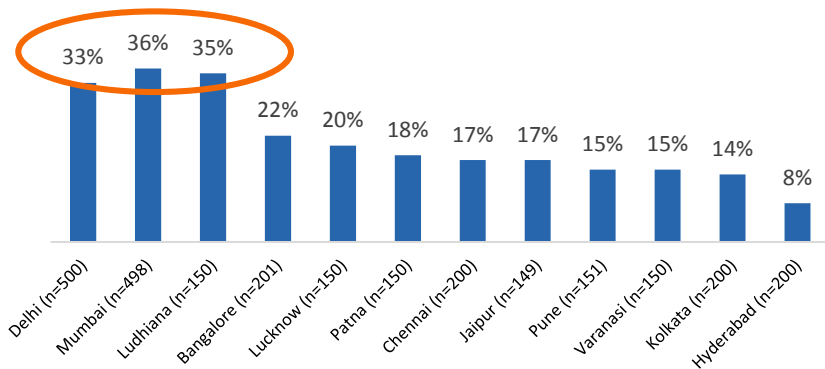
Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013-January 2014

## INDIA

### Mobile money awareness is higher in cities and among urban men

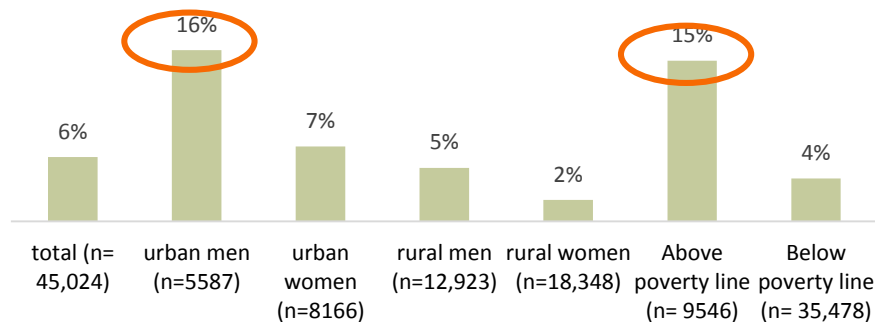
- Based on both spontaneous and prompted recall, only six percent of respondents are aware of any mobile money products.
- Awareness is significantly higher among those above the poverty line.
- Compared with the national average, mobile money awareness is slightly higher among those who have access to a mobile phone and SIM card.

Awareness of mobile money in major cities



Base: sample for each city represented

Awareness of mobile money by demographic groups



Base: Total sample within each demographic group

Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013-January 2014

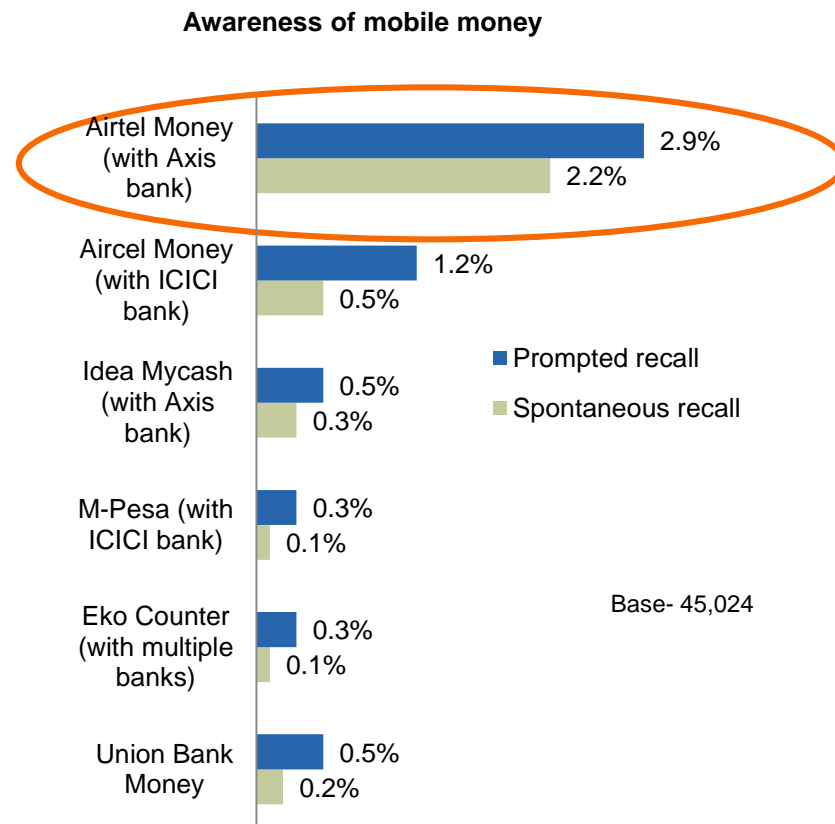


## INDIA

### Airtel Money has the highest awareness and highest user base

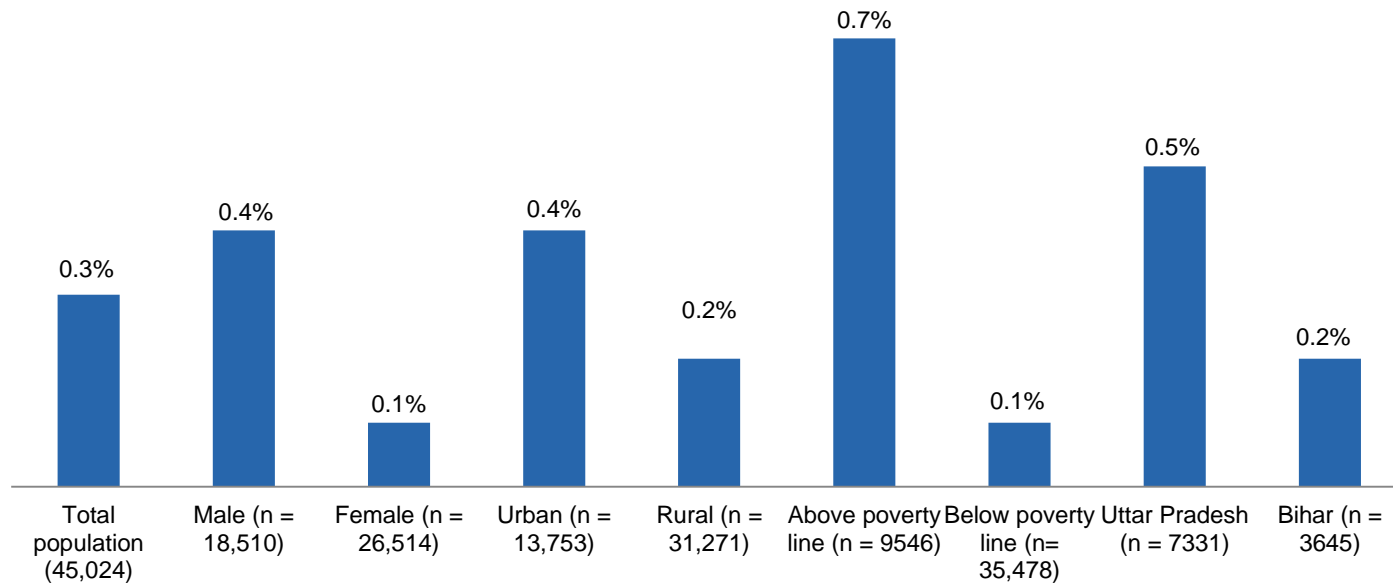
- Of those aware of mobile money, most say they heard about it through television or through relatives outside of the household, friends or neighbors.
- Airtel Money and Aircel Money are the most recalled mobile money service brands; and Airtel Money is used the most (0.2 percent have accessed it before).

Top four sources of awareness <i>(percentage of those who have spontaneous or prompted recall of mobile money, n=2,299)</i>	%
Television	36%
Other relatives outside of the household, friends and neighbors	31%
Billboards (or hoardings)	6%
Newspaper or magazines	5%



## Mobile money access across all demographic groups is low

Percentage of Indians in each demographic group with mobile money access



Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013-January 2014

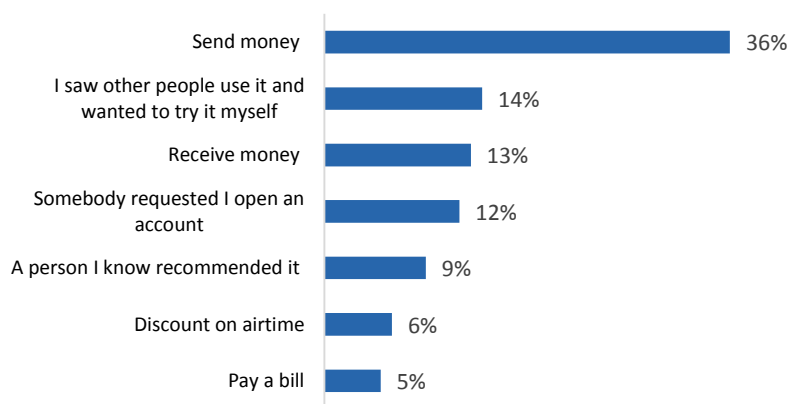
## INDIA

### Mobile money users tend to use the service infrequently, mostly for sending money

- Only a fraction of those who have used mobile money have used it in the last 90 days.
- The most common motivator for those who start using mobile money is the need to send money to other people.
- Besides depositing and withdrawing money from a mobile money account, airtime top-ups and sending money (to help pay for emergencies) are the main uses.

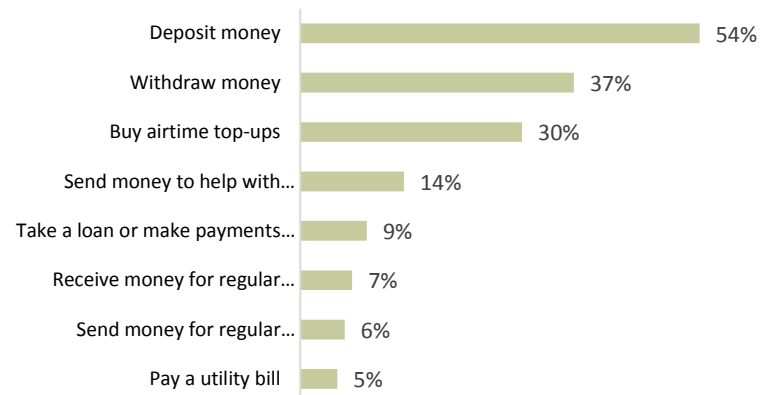
**Top reasons for starting to use mobile money**

Sending money is biggest motivator



Base: those who have used mobile money n =94

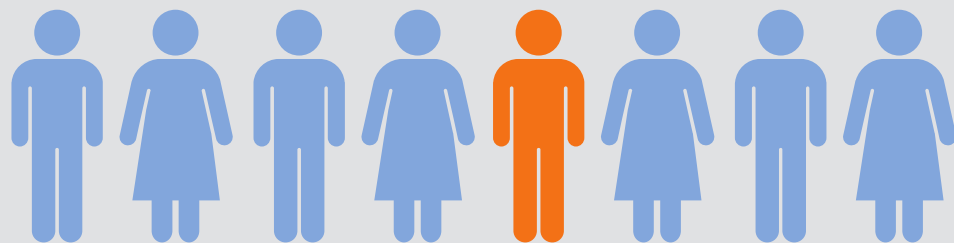
**Top uses of mobile money**



Base: those who have used mobile money n =94

Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013-January 2014

## POTENTIAL FOR DIGITIZED GOVERNMENT PAYMENTS



**Government payment beneficiaries**

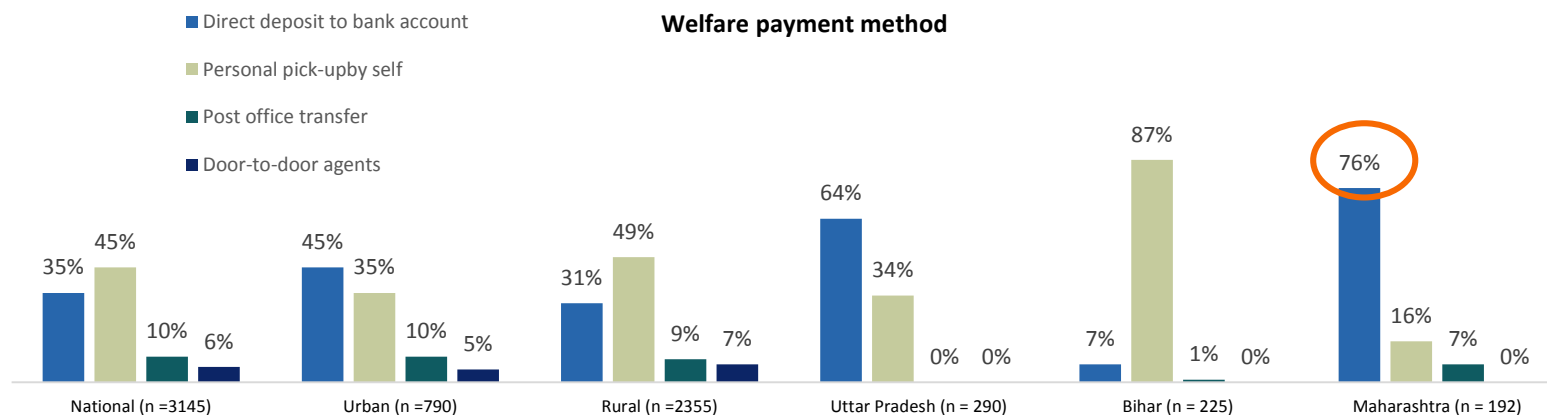


**Government officials and banks**

In recent years, the central government of India and some state governments have attempted to directly transfer welfare program payments electronically into beneficiaries' bank accounts. These initiatives are presented by the government as a means to not only transform the delivery of welfare payments (by enhancing accountability and ensuring payments reach intended beneficiaries), but also to expand access to formal financial services among India's poorest.

## The Tracker Survey shows, nationally, 35 percent of all beneficiaries receive direct deposits

- Twelve percent of respondents said they receive a payment from the government (excluding government salary payments).
- Differences in payment methods are observed in different states: A state like Maharashtra, for example, has a high proportion of direct-deposit beneficiaries, whereas payments are largely collected in person in the state of Bihar.



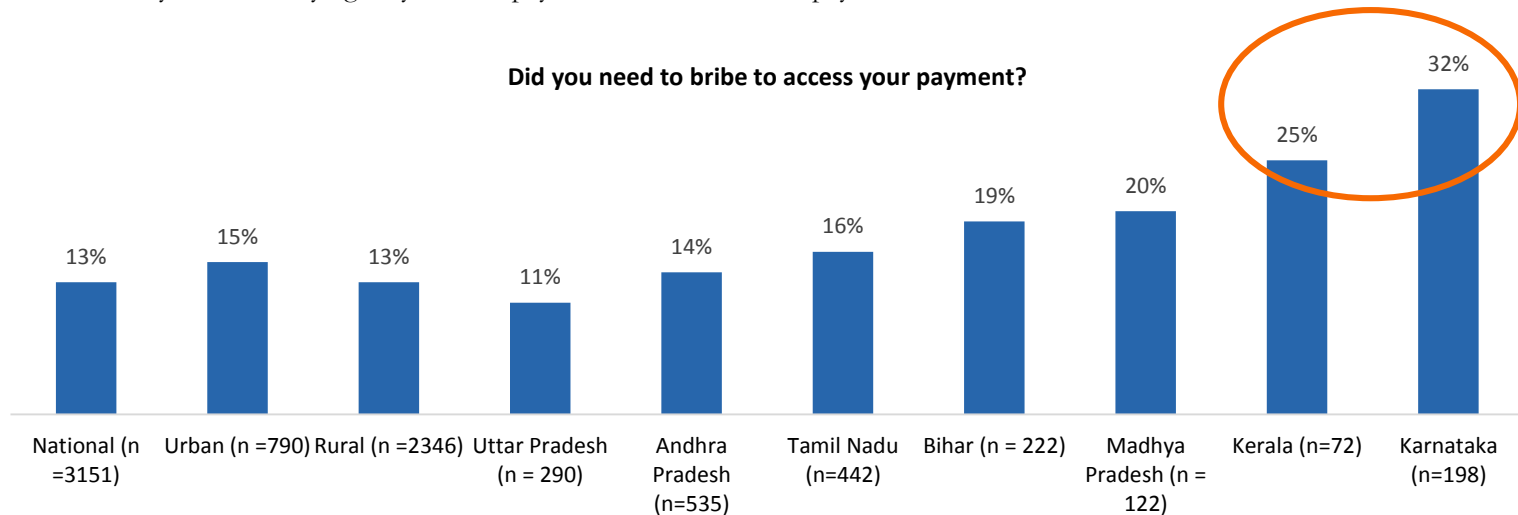
Base: those who have received a government payment in the last six months. Maharashtra has the highest proportion of beneficiaries receiving government payments through direct deposits. Bihar and UP have among the lowest proportions of beneficiaries receiving government payments through direct deposits.

Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013-January 2014

## INDIA

### Based on the Tracker Survey, the majority of payments are received in full, but 13 percent, nationally, said they have to pay a bribe to be able to access their payments

- There are differences among states, with 32 percent of beneficiaries in Karnataka, 25 percent in Kerala and 20 percent in Madhya Pradesh saying they have to pay a bribe to access their payments.



Base: Population within each group receiving government benefits in the last six months. States displayed here are all above the national average

Source: InterMedia India FII Tracker Survey (N=45,024, 15+) October 2013-January 2014

## INDIA

## Qualitative Analysis of Digitized Government Payments

To further investigate the potential of digitized government payments to catalyze the financial inclusion of India's poorest, InterMedia conducted a qualitative study with government-payment beneficiaries across four districts in the state of Maharashtra, focusing on the central government's Direct Benefit Transfer (DBT) program.

### Direct Benefit Transfer (DBT)

In 2012, under the Direct Benefit Transfer (DBT) program, the government of India sought to transfer social welfare benefits directly to beneficiaries' bank accounts using the unique identification (UID) number.\* The central government runs numerous schemes, under which low-income beneficiaries receive subsidies, stipends, pensions, scholarships or other monetary benefits. The principal impetus for introducing the DBT program was to enhance accountability and ensure payments reach intended beneficiaries. A secondary aim is to promote financial inclusion, especially through the use of DFS.

\*Since the election of the new central government (May 2014), Indian media has reported the multi-purpose national identity card (MPNIC) program, based on the national population register (NPR), might replace or be used in conjunction with the UID to disburse DBT payments.

<http://economictimes.indiatimes.com/news/politics-and-nation/rajnath-singh-talks-of-issuing-national-identity-cards-end-of-uidai-in-sight/articleshow/36780617.cms>

- The qualitative study focused on beneficiaries receiving social security pensions (old age, disability and widow), post-matric scholarships (caste-based, for low income students) and the National Rural Employment Guarantee Scheme (NREGS).
- The study targeted two groups of beneficiaries: those who receive payments through DBT, and those who receive payments in non-DBT form (e.g., cash, checks, etc.).
- The study explored two aspects of DBT:
  - The experience of switching to DBT
  - The potential for financial inclusion

## The qualitative analysis of digitized government payments found:

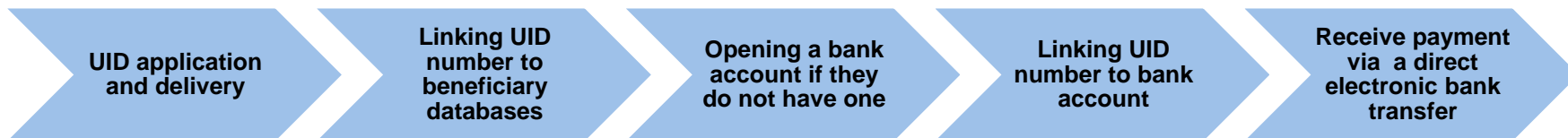
- Digital government payments have the potential to help drive greater use of digital financial services, but challenges remain.
- The process of digitizing government payments must be:
  - Efficient and easy for beneficiaries to adopt
  - Implemented with greater communication between government officials, bank officials and beneficiaries
- Beneficiaries have to be incentivized to reduce payment cash-outs and to use linked digital products. Banks also need incentives to design and market products to beneficiary account holders.



## Beneficiaries see advantages of receiving payments directly into their bank accounts, including fewer delays and full receipt of payment

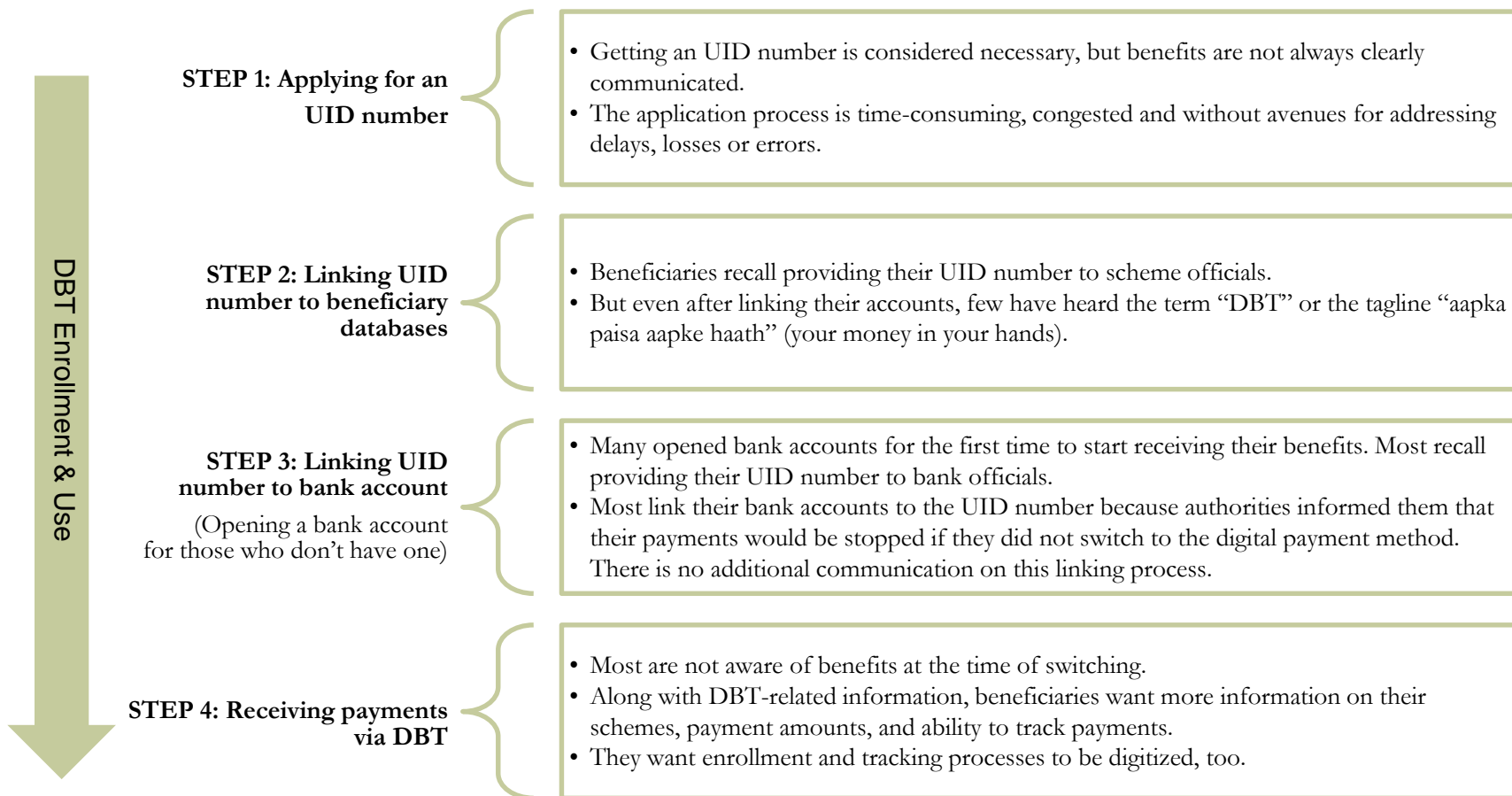
- Most beneficiaries readily adopt DBT to continue receiving payments. They are afraid payments, via the old method, will stop. But they were unclear about its benefits before the switch. Reasons for the government adopting this payment method were not communicated to them. After switching, many now see its advantages—fewer delays, consistent payment amounts and fewer payment errors.
- Information about the schemes that beneficiaries are enrolled in and exact payment amounts was not easily available, especially for rural beneficiaries. With DBT, most beneficiaries now know their payment amounts, and when they will be received. As a result, DBT is seen as a step towards greater accountability. However, even after switching, beneficiaries still want avenues—both physical and digital — for addressing loss, errors or delays.

### Step-by-Step DBT Process



Source: InterMedia India FII Digitized Government Payments Study, December 2013

## But the process of switching to digitized payments needs to be easier, more efficient, and with greater communication with beneficiaries



## Benefit payments are small and, currently, do not help to expand digital transactions

**Awareness of digital financial services is low, but many are interested in learning more about conducting electronic transactions, including for savings.**

- Payments, particularly pensions, have not been indexed to inflation, and they amount to considerably less than monthly expenses. In many cases, payments cover only one utility bill or provide extra money for unexpected expenses.\* For some, payments are received infrequently.
- Because amounts are small, pensioners prefer withdrawing their entire payment when it is received. They use these amounts to pay for groceries or utility bills, in cash.
- Scholarship students generally save most of their payments over a long period of time for future expenses such as marriage and further education.
- Financial literacy, and awareness about the benefits of transacting and saving through formal financial institutions, is low. But many are interested to learn more.
- The digital finance ecosystem is also underdeveloped. There is very low awareness about branchless banking, mobile money, business correspondents\* (BCs) and customer service points\*\* (agents), and their potential for payment delivery. Most beneficiaries say they cannot buy groceries or pay fees using electronic payments or mobile money.

\* Based on analysis of beneficiaries' description of their monthly expenses and beneficiaries stating their benefit payment amounts.

\*\*Business correspondents (BCs) are companies, engaged by banks, that provide banking services at locations other than a bank branch/ATM, through a network of agents.

\*\*\*Customer service points (CSPs) or agents are hired by BCs to deliver services on behalf of banks.

Source: InterMedia India FII Digitized Government Payments Study, December 2013

## Beneficiaries have to be incentivized to reduce payment cash-outs and to use linked digital products

### **Banks also need incentives to design and market products to beneficiary account holders.**

- Beyond receiving payments electronically, few beneficiaries deepen their engagement with their banks after switching to digitized payments.
- Banks need to provide beneficiary account holders with more information on tie-in products that extend electronic transactions, such as bill payments and term deposits.
- Beneficiaries, especially older and rural, need incentives to save and transact through cost-effective and convenient services. Agent and BC networks, currently present in some locations should be expanded to all rural areas. Younger, urban beneficiaries are interested in enrolling in mobile banking services.
- But studies show that banks are inadequately compensated by the government for managing payments and agent networks, and marketing additional products to beneficiaries, who generally have low-value accounts.\* They lack incentives to spend resources on informing and engaging beneficiaries, or designing other linked digital products. A proposal to pay banks a 3.14% fee (of total cash disbursed) for delivering these payments has been suggested by a special task force constituted by the Reserve Bank of India (RBI) and other officials, but has not been implemented yet. Currently, some state governments pay 2% while others pay 0-1%.

*Source: InterMedia India FII Digitized Government Payments Study, December 2013 and*

*\*[http://www.microsave.net/files/pdf/PB\\_11\\_Optimising\\_Commissions\\_and\\_Payout\\_Mechanism\\_For\\_G2P\\_Payments\\_Under\\_Electronic\\_and\\_Direct\\_Benefit\\_Transfer.pdf](http://www.microsave.net/files/pdf/PB_11_Optimising_Commissions_and_Payout_Mechanism_For_G2P_Payments_Under_Electronic_and_Direct_Benefit_Transfer.pdf)*

## Recommendations: Qualitative Government Payments Study

### Bettering the DBT process

Registration and tracking services can be linked to UID numbers.

#### UID-linked enrollment into schemes

- The UID number can be used to automate the process for enrolling in schemes.
- It can also help prove eligibility for benefit schemes (proof of low-income status, caste-certification, etc.).
- For those enrolled in longer-term schemes, it can help renew enrollment as well.

#### UID-linked payment tracking and reporting

- Once registration into a scheme is complete, a UID number should also be able to connect beneficiaries to a portal where they can track pending payments.
- For those without internet access, SMS or interactive voice response (IVR) services should be available. If none of these is accessible, physical service centers must be available so beneficiaries can check the status of pending payments, report loss, delays or errors.

### Furthering uptake for digital financial services

Savings and other financial products can be added onto DBT bank accounts to encourage digital financial services (DFS) uptake.

#### Interest-bearing savings accounts for students

- For scholarship students and their parents, banks can provide products to divert some portion of payments to term-deposit or interest-bearing savings accounts.

#### Linked utility-bill payments for pensioners

- For pensioners, who use payments for specific bills, such as electricity, gas and phone, payments can be directly linked to those bills.

#### Agent networks and mobile banking

- Agent and BC networks, currently present in some locations, should be expanded to all rural areas.
- Mobile banking should be provided to all beneficiaries.

### Raising financial awareness

Voice-based applications can help raise financial awareness among mobile phone owners with low literacy and low digital skills.

#### Voice-based financial info-line for less literate and low digital skills

- For less-literate beneficiaries, who still have mobile phone access, a voice-based mobile finance info-line can help provide guidance and money-management advice.

## METHODOLOGY AND RESEARCH DESCRIPTION

## INDIA

## SURVEY SAMPLING APPROACH

- The sample size is 45,024 respondents.
- A multistage, stratified, clustered and randomized sampling methodology that includes proportional distribution of the sample (45,024 face-to-face interviews) across 28 states of India and eight stratified urban and rural classes based on the 2011 census of India.
- The sampling procedure covered the following stages of sample allocation and selection:
  1. State
  2. Town/Village Class (Urban/Rural)
  3. Town/Village
  4. Household
  5. Respondent
- **Stage 1: Stratification at the state level**—India is divided into 28 states (at the time of the study. Currently there are 29 states). The total sample of 45,024 interviews was distributed among the 28 states proportionally to the size of the target population (15+) in each state. Union territories (UT) were grouped with their associated states.
- **Stage 2: Stratification at the town/village class level**—The population in each state in India was divided between towns and villages, which were classified as such based on the size of each of

their populations. Towns are by definition urban areas and make up 32 percent of the overall Indian population, according to the 2011 census data. Villages are by definition rural and make up about 68 percent of the population.

### Population sizes for town and rural-village class designations:

Town Class 1: (> 4 million) population;

Town Class 2: (1 million – 4 million) population;

Town Class 3: (0.1 million – 1 million) population;

Town Class 4: (0.05 million – 0.1 million) population;

Town Class 5: (< 0.05 million) population

Rural-village Class 1: (> 3,000) population;

Rural-village Class 2 (1,000-3,000) population;

Rural-village Class 3 (< 1,000) population.

The sample allocated to each state was divided among the state's eight town and village class strata proportional to the size of the population residing in each class.

## INDIA

### SURVEY

## SAMPLING APPROACH (cont.)

- **Selection of specific towns and villages:** Specific towns and villages within a class were selected using a probability proportional to population size method, within each class. In order to maintain reasonable costs and timelines, minimum numbers of interviews were allotted per selected town and village class. In urban town classes with at least one town in the class, that town was included.

Class	Minimum # of interviews per class
Urban	
Town Class 1	N/A
Town Class 2	150
Town Class 3	90
Town Class 4	70
Town Class 5	50
Rural	
Village Class 1	45
Village Class 2	35
Village Class 3	25

- **Starting households within selected towns and villages:** In the selected towns electoral rolls were used to randomly select starting households using an nth number approach. In villages where electoral rolls were unavailable, the village was mapped into blocks and starting points were allocated to these blocks. The household within a selected block from which interviewing commenced was selected by generating a random number between one and 10 and skipping that number of households from the first household that interviewers encountered when entering the block.
- **Selection of Secondary Sampling Units (SSUs—households) within the Primary Sampling Units (PSUs):** After the first interview, subsequent households were selected using the right-hand rule: every fifth household was chosen in urban areas and every third household in rural areas.
- **Selection of Ultimate Sampling Units (USUs—respondents) within the SSUs:** The individual respondent (15+) within a household was chosen using the Kish Grid method.



## Survey Sample Demographics

Survey Sample Demographics	% of Sample (N=45,024)
Male	51%
Female	49%
Urban	33%
Rural	67%
Above the \$2.50/day poverty line	23%
Below the \$2.50/day poverty line	77%
Ages 15-24	28%
Ages 25-34	23%
Ages 35-44	19%
Ages 45-54	13%
Ages 55+	17%

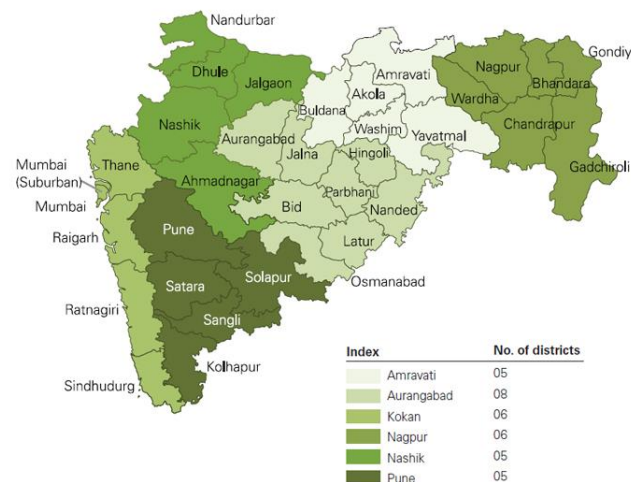
Source: InterMedia India FII Tracker survey (N=45,024, 15+) October 2013-January 2014

## INDIA

### Qualitative Government Payments Study: Participant Profile

- **The qualitative study was conducted in four districts in the state of Maharashtra, where DBT payments have been rolled out.** These were the Amravati and Wardha districts (rural areas only), and the Mumbai Suburban and Pune districts, both of which were urban. All districts were a part of the initial DBT rollout in 2013 across 121 districts.
- This study focused on beneficiaries from three categories of schemes that disburse periodic payments—social security pensions (old age, disability and widow), post-matric scholarships (caste-based, for low income students) and National Rural Employment Guarantee Scheme (NREGS). We spoke to two groups of beneficiaries: those who receive payments through DBT and those who receive payments in non-DBT form (e.g., cash, checks, etc.).
- **Sixteen focus groups were equally divided between DBT- and non-DBT payment methods.** Both DBT and non-DBT beneficiaries were recruited under pension and scholarship schemes. NREGS beneficiaries were non-DBT beneficiaries as this scheme had not been included under DBT in Maharashtra at the time of this study. Ninety-six beneficiaries were recruited across 16 focus groups.
- Pensioners and scholarship students were recruited in both urban and rural settings to compare their experiences in both locations. NREGS beneficiaries were in rural areas only, since this scheme only benefits rural populations. Focus groups were equally divided between men and women.
- **Among non-DBT beneficiaries, a few are already receiving payments electronically into their bank accounts, due to state government initiatives to digitize payments that preceded DBT. This was the case more frequently among urban beneficiaries than among those from rural areas.**

Districts by administrative divisions



Mumbai (Urban)	Pune (Urban)	Wardha (Rural)	Amravati (Rural)
Male DBT Scholarship	Male non-DBT Pensioners	Male DBT Scholarships	Male DBT Pensioners
Male DBT Pensioners	Male non-DBT Scholarships	Male non-DBT Pensioners	Male non-DBT NREGS
Female DBT Scholarship	Female non-DBT pensioners	Female DBT Pensioners	Female DBT Scholarships
Female DBT Pensioners	Female non-DBT Scholarships	Female non-DBT NREGS	Female non-DBT Pensioners

## GLOSSARY

- **Access to an account**—An individual has access to an account if he/she has used either mobile money or bank services, at least once, either via their own account or via an account of another person.
- **Account holder**—An individual who has a registered bank or mobile money account.
- **Active account holder**—An individual who has a registered bank or mobile money account and has used it in the last 90 days.
- **Agent**—A person or business contracted by a DFS provider to provide services to customers using their own bank or mobile money account. Also known as **customer service points (CSPs) in India**.
- **Bank/Banking Services**—All services offered by a bank through a branch, ATM, kiosk, business correspondent, or other delivery channel.
- **Banked**—An individual with a registered account at a formal financial institution. For this particular study, the banked are all individuals with their own bank accounts.
- **Basic literacy**—The ability of an individual to read and understand a short, simple statement with no or minimal help from another person.
- **Basic numeracy**—The ability to apply simple mathematical concepts. In the survey, basic numeracy refers to the ability of an individual to correctly answer at least two out of three simple arithmetic questions.
- **Business correspondent (BC)** —Business correspondents are retail agents engaged by banks for providing banking services at locations other than a bank branch/ATM. BCs and BC agents (BCAs) represent a bank and enable it to expand its outreach and offer a limited range of banking services at low cost. Mobile network operators can be BCs engaged by banks.
- **Current account** — Bank accounts mainly used by business owners with large inflows and outflows.
- **Digital account** — A bank account or a mobile money account.
- **Digital financial services (DFS)** — All bank and mobile money services.

## INDIA

## GLOSSARY (cont.)

- **Financial inclusion**—A state in which all people who are able to use them have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients.
- **Financially included**—An adult who owns or has access to a digital account or to digital financial services.
- **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 (less than \$2.50 per day).
- **Households**—All those who satisfy at least two of the following three conditions: (1) share the same food pot, (2) share the same roof or (3) have a common decision maker.
- **Mobile money (MM) services**—Mobile money services include 1) non-bank semi-closed mobile money accounts/wallets and 2) full service mobile money bank accounts that allow for cash withdrawals. Semi-closed mobile wallets are *not* considered to be bank accounts, while full service mobile money bank accounts are considered bank accounts.
- **Poor/below poverty line**—“Poor” adults, or those living below the poverty line, are defined as those living on less than \$2.50 per day, as classified by the Grameen Progress out of Poverty Index (PPI).
- **Recurring deposit accounts**—Term accounts offered to those with regular incomes that allow for fixed monthly deposits that earn interest.
- **Semi-closed mobile money account/wallet**—An account that allows the customer to cash-in, buy airtime, or make other purchases (e.g., buy train tickets), but not to withdraw money without first transferring it to a formal, full-service bank account.
- **Services beyond basic wallet**—digital transactions that go beyond simple deposits, withdrawals, or money transfers.
- **SIM card**—A removable micro-card that contains a subscriber identity module that securely stores the electronic codes used to verify subscribers’ identities on mobile phones and computers.
- **Unbanked**—Individuals without a registered bank account.
- **Urban/rural**—Urban and rural persons are defined according to their residence in urban or rural areas. The population in the survey was divided between towns and villages, which were classified as such based on the size of each of their populations. Towns are urban areas, villages are rural.

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