

FINANCIAL INCLUSION **insights**

APPLIED RESEARCH FOR  digital financial inclusion

INDIA

DRIVING DIGITAL FINANCIAL INCLUSION WAVE 2

June 2015

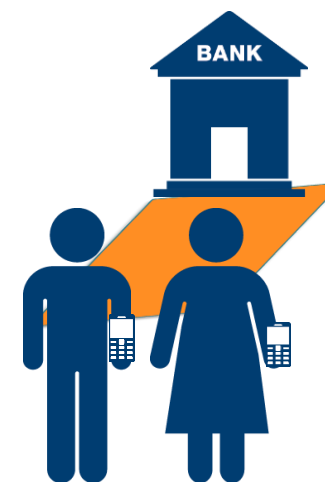
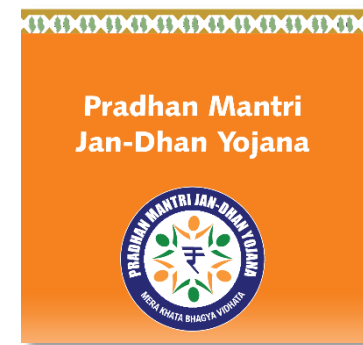
INDIA

In India, 2014 was a landmark year for financial inclusion, marked by two key developments:

- Pradhan Mantri Jan-Dhan Yojana:** On Aug. 15, 2014, Prime Minister Narendra Modi announced the “Pradhan Mantri Jan-Dhan Yojana” (Prime Minister’s People’s Wealth Scheme, or PMJDY) to provide 75 million unbanked Indians with zero-balance bank accounts* and, through these accounts, access to a full range of financial services, including pension, credit and insurance. The account-opening phase was completed Jan. 26, 2015. As of the January 26 deadline, 125 million accounts had been opened. This Wave 2 FII survey was conducted between Sept. 14 and Dec. 4, 2014, and, thus, does not capture the full impact of the PMJDY account-opening drive.
- Payments Banks guidelines:** In November 2014, the Reserve Bank of India (RBI) released Payments Banks guidelines. These guidelines will enable mobile network operators (MNOs), business correspondents,** supermarket chains, and other companies with deep distribution expertise to offer deposit accounts and payments services. While Payments Banks are not permitted to offer credit, they can distribute (on behalf of a financial services provider) credit, insurance and pension products. While Payments Banks will likely have a big impact on India’s financial inclusion indicators, licenses will not be granted until June/July 2015.
- PMJDY is focused on providing households with access to financial services. The Financial Inclusion Insights (FII) program and FII survey, however, are focused on individuals rather than households.

*Zero-balance bank accounts in the India context refer to accounts with no minimum-balance requirements.

**Business correspondents (BC) are companies that source and manage bank agents on behalf of the bank.



ABOUT THIS REPORT

This report presents a comprehensive view of financial behavior among Indian adults. The focus is on measuring financial inclusion, through a demand-side lens, especially among poor and rural residents. The report charts trends in access to banking services and emerging market developments in digital financial services, both nationally and across demographic and regional groups in India. It also sheds light on triggers for and barriers to potential uptake.

The analysis presented is based on two nationally representative surveys of 45,000 Indian adults, ages 15 and older, conducted as part of InterMedia's Financial Inclusion Insights (FII) program.

The first survey (N=45,024) was conducted from Oct. 15, 2013, to Jan. 8, 2014. The second survey (N = 45,087) was conducted from Sept. 14 to Dec. 4, 2014.

The surveys were conducted in partnership with IMRB International in India.

The Financial Inclusion Insights Program (FII)

The FII research program is operated by global research group InterMedia and sponsored by the Financial Services for the Poor initiative of the Bill & Melinda Gates Foundation.

It responds to the need for timely, demand-side data and practical insights on the use of mobile money and other digital financial services (DFS), and the potential for their expanded use among the poor.

Launched in 2013, the program covers Bangladesh, India, Indonesia, Kenya, Nigeria, Pakistan, Tanzania and Uganda. All FII data and research is publicly available through the FII portal: www.finclusion.org.

Data and materials resulting from the FII program are the property of the Bill & Melinda Gates Foundation, but the findings and the conclusions within are those of the authors and do not necessarily reflect positions or policies of the foundation.

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SUMMARY OF SURVEY METHODOLOGY & DEMOGRAPHICS

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Survey method

First Wave - Year 2013

- Nationally representative survey (N=45,024) of Indian individuals aged 15+
- Face-to-face interviews lasting on average, upwards of 43 minutes
- Survey (year 1) was conducted from 10/15/2013 to 01/08/2014

Second Wave - Year 2014

- Nationally representative survey (N=45,087) of Indian individuals aged 15+
- Face-to-face interviews lasting on average, upwards of 50 minutes
- Survey (year 2) was conducted from 9/14/2014 to 12/04/2014

Data collected

- Basic demographics
- Poverty measurement (Grameen Progress Out of Poverty Index)
- Financial behavior
- Access and use of formal financial services (e.g., bank accounts, post office accounts)
- Access and use of semi-formal and informal financial services (e.g., money lenders, savings groups)
- Access and use of mobile devices
- Access and use of mobile money
- Financial literacy and preparedness
- Digital literacy
- Government payments

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Survey Demographics Wave 1 (2013)

(Figures are weighted to reflect national census data demographics)

Demographic	% 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%

Survey Demographics Wave 2 (2014)

(Figures are weighted to reflect national census data demographics)

Demographic	% of sample (N=45,087)
Male	51%
Female	49%
Urban	33%
Rural	67%
Above the \$2.50/day poverty line	22%
Below the \$2.50/day poverty line	78%
Ages 15-24	28%
Ages 25-34	23%
Ages 35-44	19%
Ages 45-54	13%
Ages 55+	17%

BACKGROUND

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- Financial inclusion initiatives began in the 1960s with the nationalization of banks,* and have notably included:
 - Expanding the physical bank-branch network;
 - Introducing the branchless-banking agent network;
 - Establishing cooperatives and regional rural banks (RRBs);
 - Linking banks to self-help groups (SHGs refer to savings/lending groups) and microfinance institutions; and
 - Launching 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.
- These efforts have made significant strides in spreading bank account access, but encouraging active use of these accounts, and for a diverse set of transactions, such as bill pay, money transfers and loans, has been a hurdle. Numerous research studies, including FII survey results, have shown that a majority of bank accounts in India remain dormant, or that use remains limited to basic deposits and withdrawals.
- PMJDY incorporates all the innovation and learning from previous initiatives and seeks to achieve universal digital financial inclusion.

*In the early 90s, during the liberalization of the Indian economy, the RBI once again began licensing private banks.

Source: InterMedia India FII Tracker survey: Wave 2 (N=45,087 15+) September-December 2014.

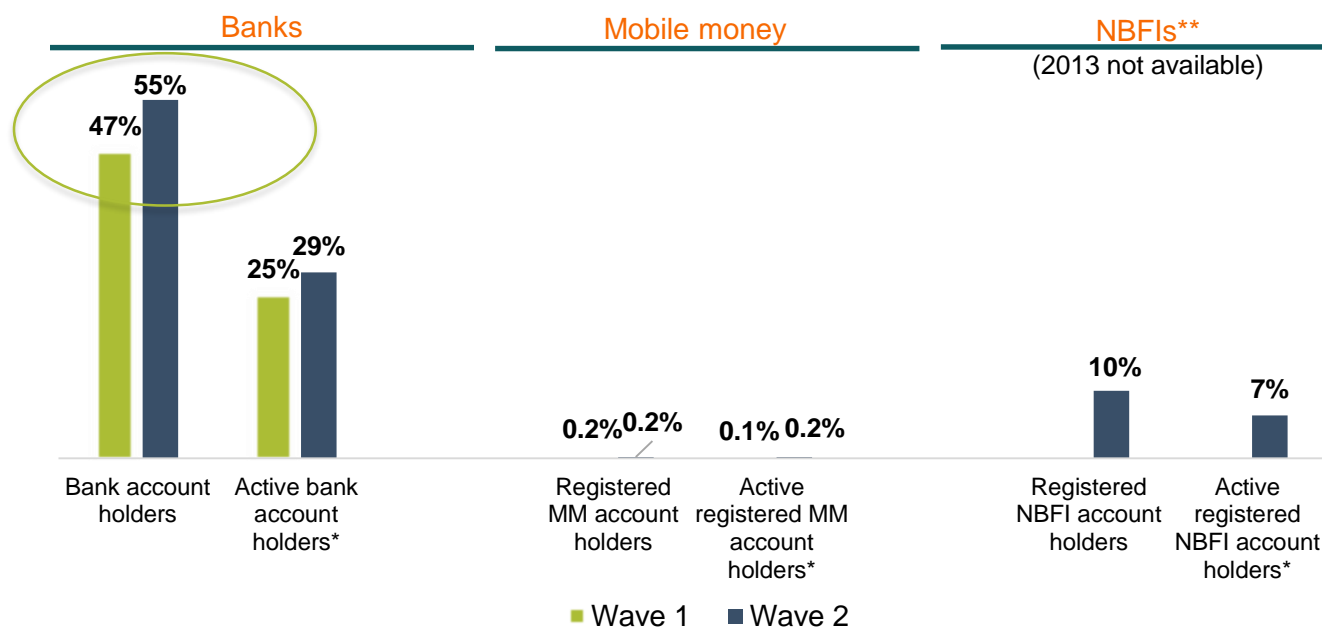
EXECUTIVE SUMMARY

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Bank account ownership increased between 2013 and 2014, reflecting early gains from PMJDY

Bank, mobile-money (MM) and nonbank financial institution (NBFI) access and use

(Shown: Percentage of Indian adults who fall into each category, N=45,087)



The FII Wave 2 survey captured the initial increase in account ownership due to PMJDY, which launched Aug. 15, 2014. The survey, conducted between September and December 2014, does not capture the full impact of the program on increased bank account ownership and active use of bank accounts.

*Active account holder is an individual who has a registered account and has used it in the last 90 days.

**NBFIs include microfinance institutions, post office accounts, or savings and lending groups.

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With bank account ownership reaching 55%, the challenge becomes integrating excluded populations segments and encouraging use

CHALLENGES & OPPORTUNITIES

- While 55% of Indian adults own an account, variation across states ranges from 26% to 77%, with varying growth since Wave 1, showing that beneath the national statistics, there are significant differences that warrant more state-specific strategies in the future (see next slide for complete list of bank account ownership by state).
- States can be grouped into four categories based on high or low account ownership and high or low growth between 2013-2014.
- Bank account ownership continues to be gendered. In 2013, 55% of men and 39% of women had an account. In 2014, 68% of men and 48% of women had an account. This shows a persistent gender gap of 14-16 percentage points. **But, with PMJDY's focus on reaching the unbanked, the highest increases in bank account ownership since Wave 1 are among women, especially below the poverty line.**
- Bank accounts are not yet being used to their fullest potential. Half of them lie dormant even though consumers make financial transactions that could be conducted through their bank accounts. Customers, especially women and poor people, need encouragement and awareness-building to transition from a reliance on cash and informal services to regular banking, including through digital means.

POSSIBLE ACTIONS

- Help customers transform account ownership into activity. Ensure information about using bank accounts is provided during enrollment, and provide poor customers with examples of how they can use their accounts.
- Encourage advanced banking, and increased and ongoing customer communication from banks and local government officials.
- Build a state-specific approach for tackling gender-based financial and digital inclusion in India. Even when financial services are mandated by the Indian government, women may lack the socio-economic and digital means to access them depending on the state they reside in.

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Growth in bank account access has driven a range of key financial indicators over the past year

Indicators	2013	2014
% of adults (15+) that have a bank account	47%	55%
% of adults (15+) to have ever accessed a mobile money account	0.3%	0.3%
% of adults (15+) with active accounts*	25%	29%
% of adults (15+) below the poverty line with active accounts	20%	24%
% of males (15+) with active accounts	32%	36%
% of females (15+) with active accounts	18%	21%
% of rural males (15+) with active accounts	26%	30%
% of rural females (15+) with active accounts	15%	19%
% adults actively use accounts beyond basic wallet, P2P and bill pay	9%	9%
% of adults (15+) below the poverty line who actively use accounts beyond basic wallet, P2P and bill pay payments	7%	7%
% of males (15+) who actively use accounts beyond basic wallet, P2P and bill pay payments	12%	12%
% of females (15+) who actively use accounts beyond basic wallet, P2P and bill pay payments	6%	6%
% of rural males (15+) who actively use accounts beyond basic wallet, P2P and bill pay payments	10%	10%
% of rural females (15+) who actively use accounts beyond basic wallet, P2P and bill pay payments	5%	6%

*Active account holder is an individual who has a registered account and has used it 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.

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Bank account ownership by state

State	Wave 2 (2014) % of bank account holders	Wave 2 (2014) % of active bank account holders
Himachal Pradesh	77%	48%
Goa	73%	62%
Punjab	70%	39%
Tamil Nadu	70%	36%
Delhi	66%	39%
Andhra Pradesh	65%	24%
Maharashtra	65%	40%
Uttarakhand	65%	34%
Karnataka	65%	47%
Uttar Pradesh	58%	20%
Rajasthan	56%	26%
West Bengal	56%	33%
Kerala	55%	36%
North East Cluster*	54%	32%
Gujarat	51%	31%
Orissa	49%	27%
Jharkhand	47%	26%
Haryana	46%	39%
Madhya Pradesh	43%	14%
Bihar	36%	22%
Assam	32%	19%
Chhattisgarh	26%	11%

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Mobile money awareness doubled since Wave 1; a barrier to mobile phone ownership and lack of technical skills inhibit uptake

CHALLENGES & OPPORTUNITIES

POSSIBLE ACTIONS

- Growth in mobile money awareness has not yet brought about greater mobile money use. Awareness grew from 6% to 13% since Wave 1, but use remains static at 0.03%. Recent legislation on payment banks that promotes new entrants in the mobile money market and a greater variety in product offerings may catalyze greater usage in future years, and minimize barriers to access for women and poor adults.
- Wave 2 data shows there might be three key barriers to expanding mobile money in India:
 - **Ownership barrier:** A mobile phone ownership gap exists between men and women (70 percent of men and 34 percent of women own phones). The gender gap between male and female account ownership varies greatly across states in India and ranges from 18 to 48 percentage points.
 - **Technical skills barrier:** The basic technical skills needed to use mobile phones are lacking, particularly among women and rural, poor adults.
 - **Relevance barrier:** Despite the increase in mobile money awareness between 2013-2014 (from 6% to 13%), use levels remains unchanged.

- As MNOs and other digital finance providers begin offering digital accounts independently, they will need to go beyond relying on their significant distribution networks and build awareness, digital literacy and trust to attract more customers, especially in rural areas. Awareness-building must be paired with relevance-building in customers' financial lives to create reasons for use among potential customers.
- The large deficit in mobile phone ownership among women can be addressed through products and services that offer point-of-purchase discounts to men, if they also enroll the females in their households, and prompt desired results.

More than half of Indian adults are financially included



54% of Indian adults
are financially included*

Financial inclusion is defined as having an account with a financial institution that provides a full suite of financial services such as savings, credit, investments or insurance. Therefore, this measure might include fewer Indians than all those who have registered accounts.



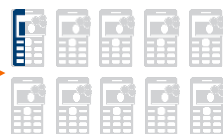
52%
have full-service bank accounts

55% have bank accounts in total.



8%
have nonbank financial institution accounts

NBFIs include microfinance institutions, post office accounts, or savings and lending groups that offer services, beyond credit only, through registered accounts.



0.2%
have registered mobile money accounts

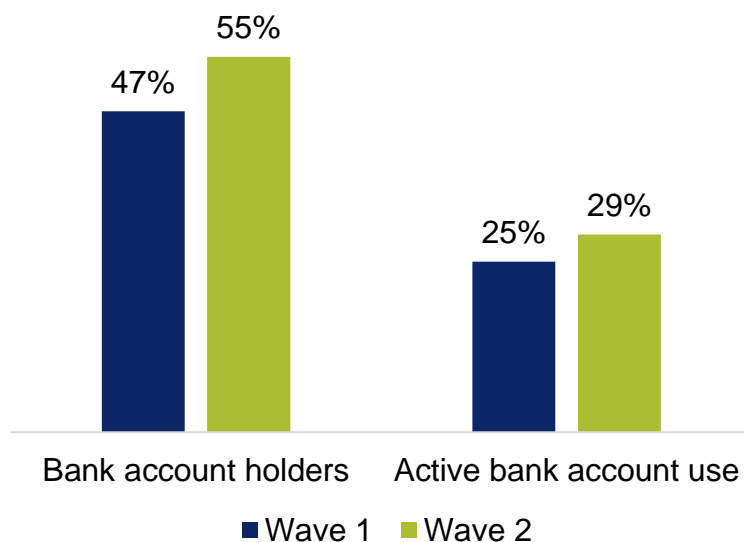
Source: InterMedia India FII Tracker survey: Wave 2 (N=45,087 15+) September-December 2014.

MAIN FINDINGS

BANK ACCOUNTS – OWNERSHIP & USE

Bank account holders and active use

(Shown: Percentage of Indian adults who fall into each category. W1, N=45,024; W2, N=45,087)



- In August 2014, India launched “Pradhan Mantri Jan-Dhan Yojana” (PMJDY) to bring at least one basic bank account, with credit and insurance features, to every household.
- FII survey results show initial gains from this program. Bank account ownership increased from 47% in 2013 to 55% in 2014, although bank account dormancy remains an issue across both years.

In this section

- Beneath these national numbers, there are significant variations within demographic groups and across states that warrant a more targeted strategy in the future.
- Beyond basic account ownership, this section also discusses bank account use, frequency of use, basic and advanced use and digital banking.

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Saving, storing are the main motivations for opening a bank account; PMJDY was a draw for some

Top reasons for starting to use a BANK account (percentage of bank account holders by waves*)	% Wave 1 (n=20,663)	% Wave 2 (n=23,224)
To start saving money with a bank	29	38
I wanted a safe place to store my money	24	17
I had to receive money from an organization/government agency	13	13
Somebody requested I open an account	8	6
An organization/government agency requested I sign up for an account	7	6
I had to receive money from another person	6	7
I came to know of the Pradhan Mantri Jan-Dhan Yojana and decided to open a bank account under it	NA	3

- The percentages shown in this table are based on a single spontaneous response from each respondent on reasons for opening an account.
- Respondents were not prompted by the interviewer.
- Many respondents who said they opened a bank account to save or store money could have also opened their account through PMJDY.
- Note: Based on responses to a separate question in the survey, 10% of bank account holders opened their bank account through the Pradhan Mantri Jan-Dhan Yojana.

*The base of bank account holders differs slightly by wave. In Wave 1, the base refers to bank account holders. In Wave 2, the base refers to bank account holders with full-service accounts.

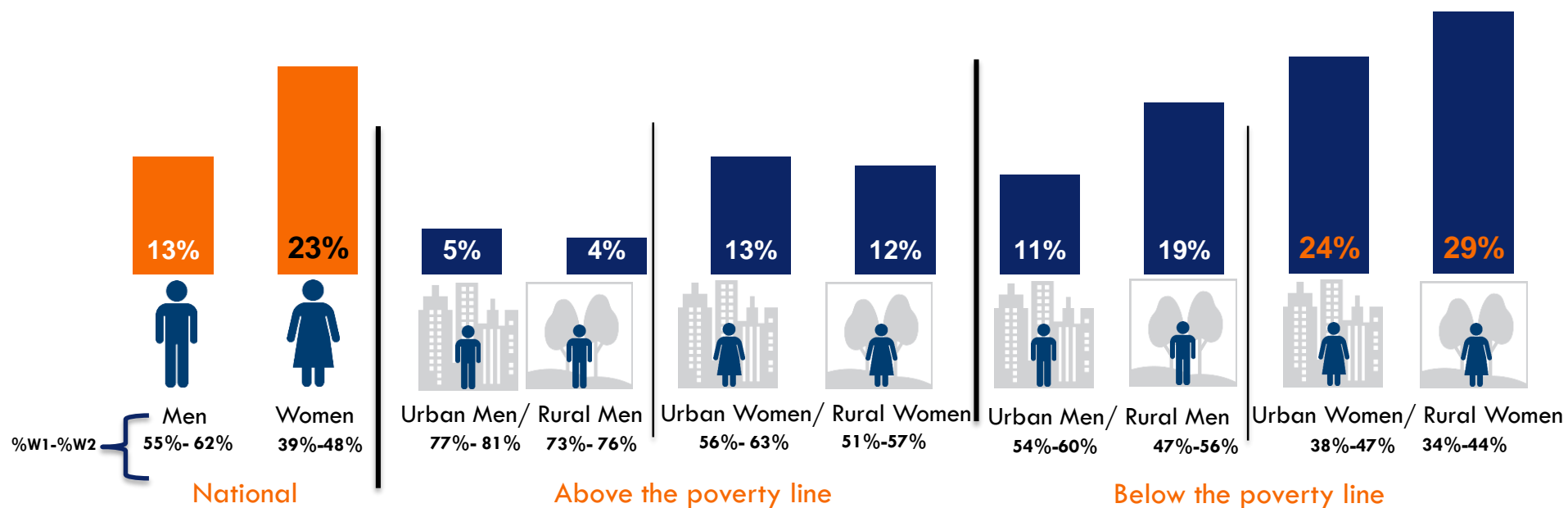
Source: InterMedia India FII Tracker surveys: Wave 1 (N=45,024, 15+) October 2013-January 2014; Wave 2 (N=45,087 15+) September-December 2014.

INDIA

The highest increases in bank account ownership since Wave 1 are among women, especially those below the poverty line

Bank account ownership increase rate

(Shown: Percentage increase in bank account ownership, by demographic)



The percentages beneath each demographic represent the percentage of bank account owners in year 1 and year 2 respectively.

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.

INDIA

There are large variations in bank account ownership and the growth rate across states

- Account ownership in states ranges from 26% to 77%, with varying growth vs. 2013.
- Based on this, states can be grouped into four categories.

High account ownership and low growth rate	High account ownership and high growth rate
Low account ownership and high growth rate	Low account ownership and low growth rate

- **The next two slides show several examples of state breakdowns of bank account ownership and active bank account use within these groups. For a complete list of state breakdowns see Appendix.**

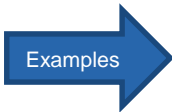
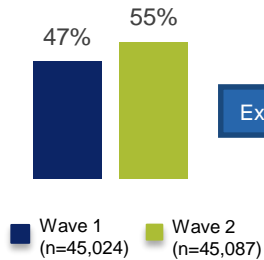
State-level data

The FII surveys are designed to be representative at the national level. While the sample sizes in each state are proportional to the total population of the state as well as the distribution of urban-rural populations in each state, the survey is not designed to be representative of the populations at the state level. Within each state, towns and villages are chosen through the probability proportional to size method and may not account for any regional or socio-economic variations within that state.

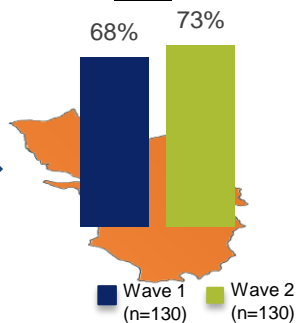
INDIA

Account ownership is HIGH, growth rate is LOW

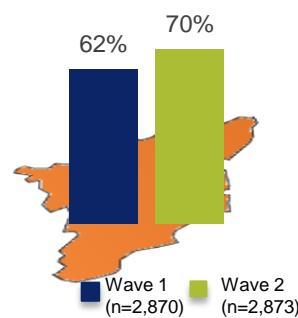
National (account ownership)



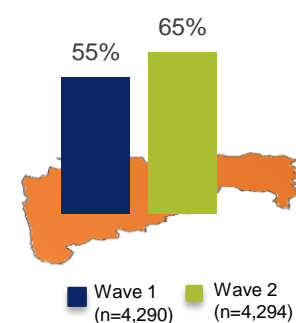
Goa



Tamil Nadu

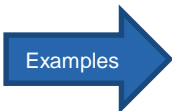
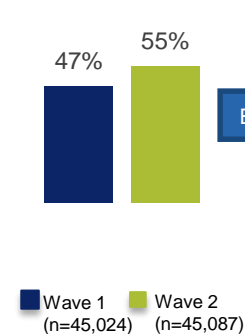


Maharashtra

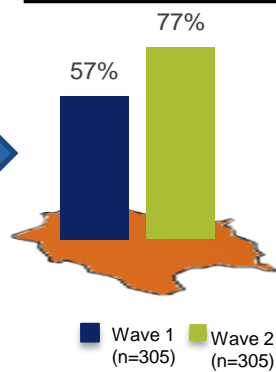


Account ownership is HIGH, growth rate is HIGH

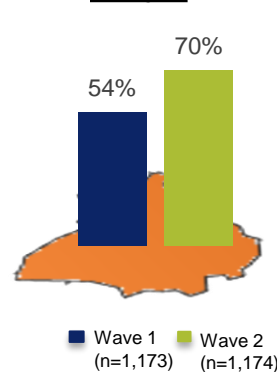
National (account ownership)



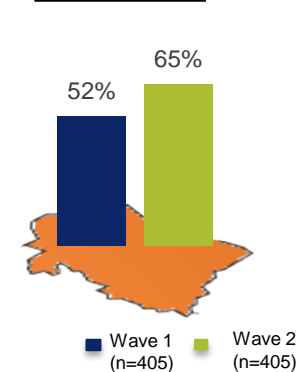
Himachal Pradesh



Punjab



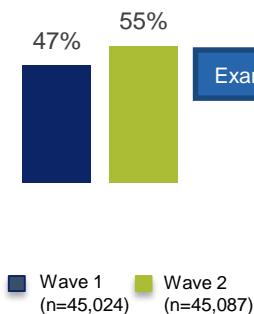
Uttarakhand



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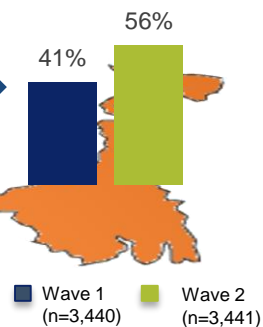
Account ownership is LOW, growth rate is HIGH

National (account ownership)

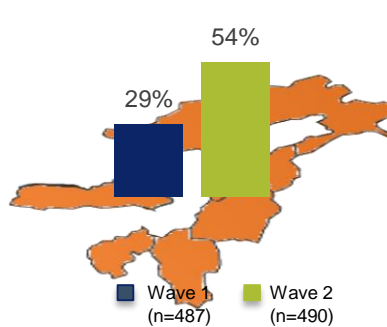


Examples →

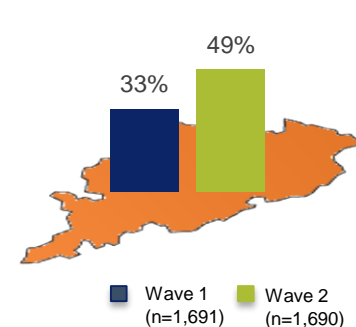
West Bengal



North East Cluster

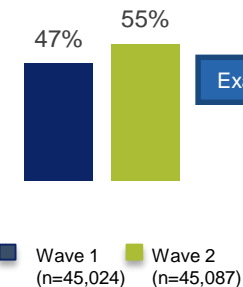


Orissa



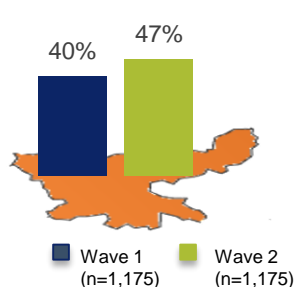
Account ownership is LOW, growth rate is LOW

National (account ownership)

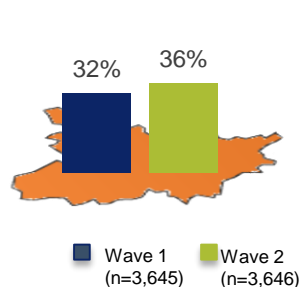


Examples →

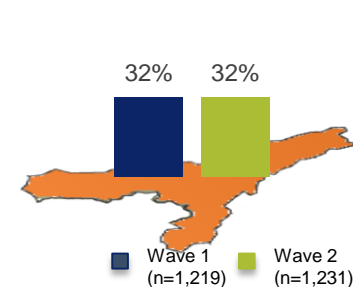
Jharkhand



Bihar



Assam



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Bank account dormancy remains an issue; almost half of all accounts are inactive

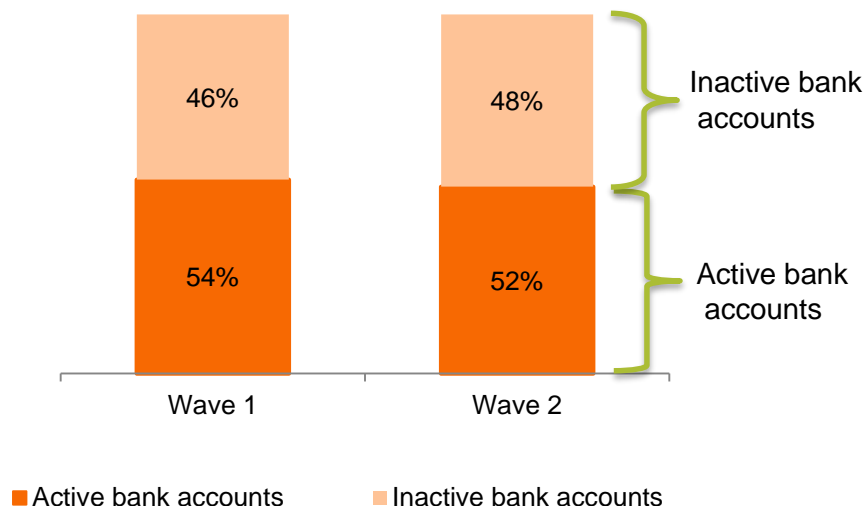
Dormant bank accounts in India

(Shown: Percentage of Indian adults with bank accounts)

Active account holder – An individual who has a registered account and has used it in the last 90 days.

Base year 2013: registered bank account holders n=20,695

Base year 2014: registered bank account holders n=24,657



Despite account ownership growth, the percentage of active account holders has remained static.

Inactivity is highest in states such as Uttar Pradesh (65%) and Madhya Pradesh (68%) and lowest in Goa (14%) and Karnataka (27%).

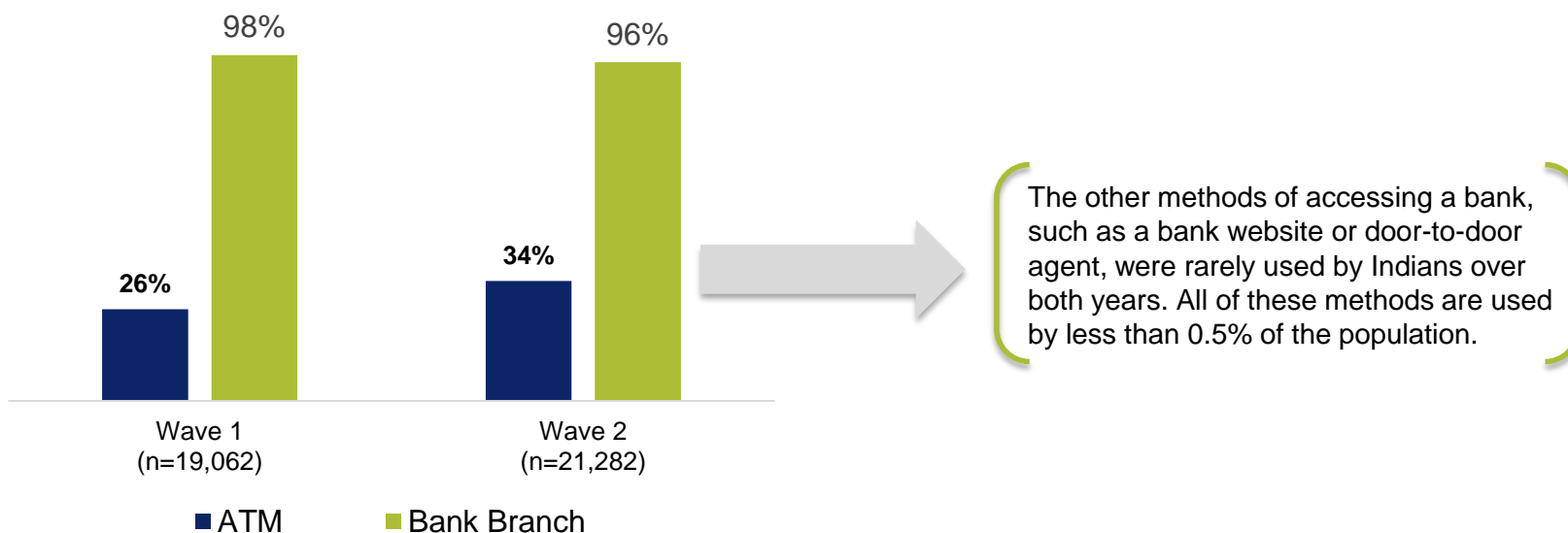
Among adults who own accounts, men are more likely than women to be active users (56% vs. 43%) and similar gaps in active use are seen between urban and rural populations (53% vs. 40%), and respondents above and below the poverty line (53% vs. 36%).

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Going to a bank branch is the most common way of accessing one's bank account; ATM use grew between 2013-2014

Accessing one's bank account

(Shown: Percentage of bank account holders by wave*)



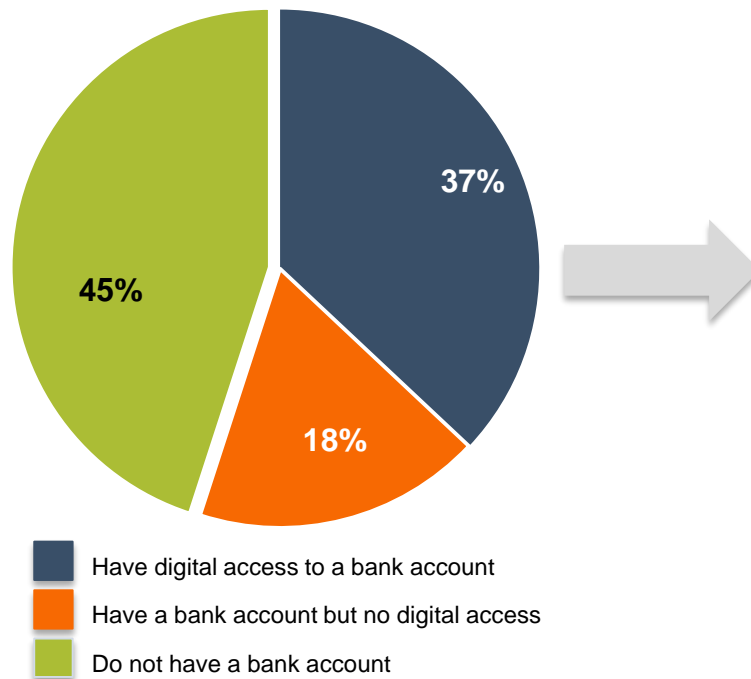
*The base of bank account holders differs slightly by wave. In Wave 1, the base =19,062 refers to bank account holders who have used their bank account and say their account is an important part of their finances. In Wave 2, the base =21,282 refers to bank account holders who have used their bank account and say their account is a full-service account.

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.

When it comes to digital banking, ATM/debit cards are the main points of access

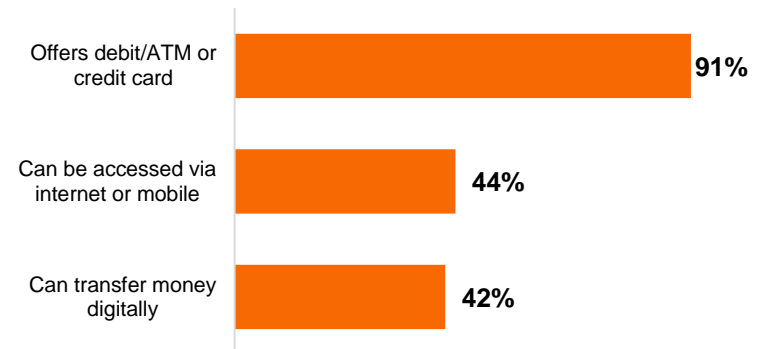
Digital bank account access

(Shown: Percentage of Indian adults, N=45,087)



Digital access among bank account holders*

(Shown: Active bank account holders, n=9,217)



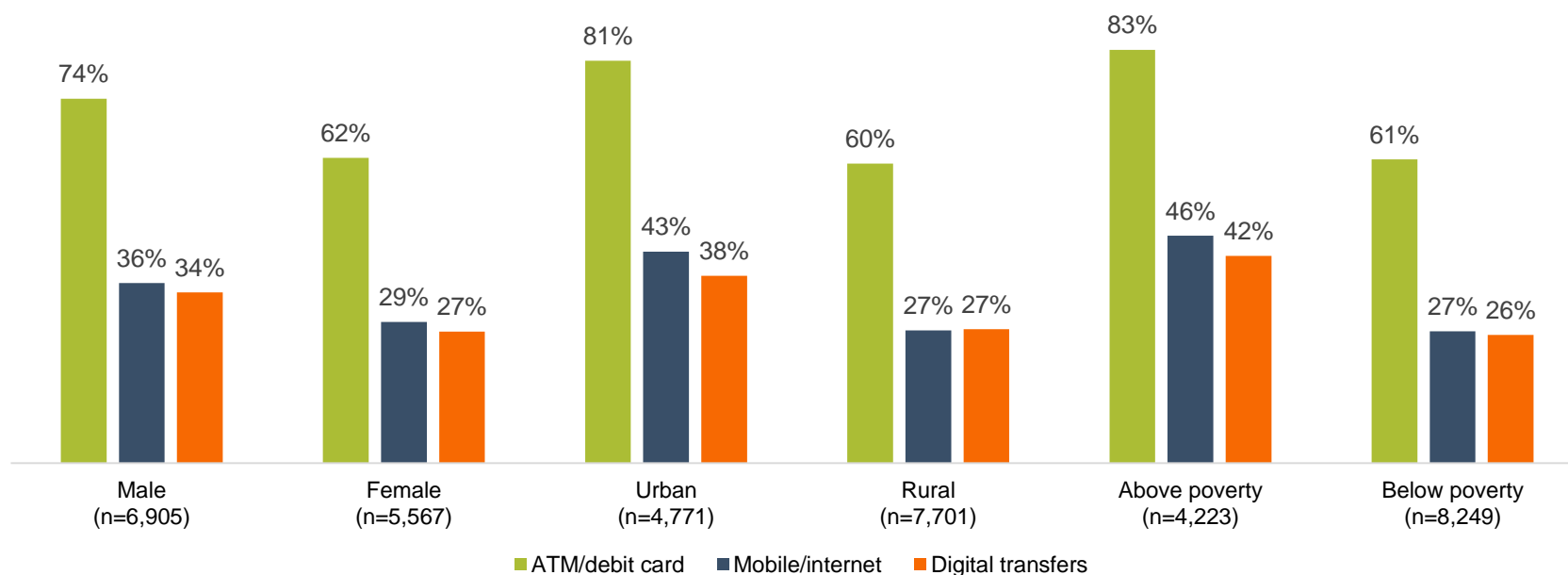
*Question allowed for multiple responses.

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ATMs are prevalent in rural areas and among the poor; mobile/internet access and digital transfers are less common

Active bank account holders with digital access

(Shown: Percentage of active bank account holders, by demographic)

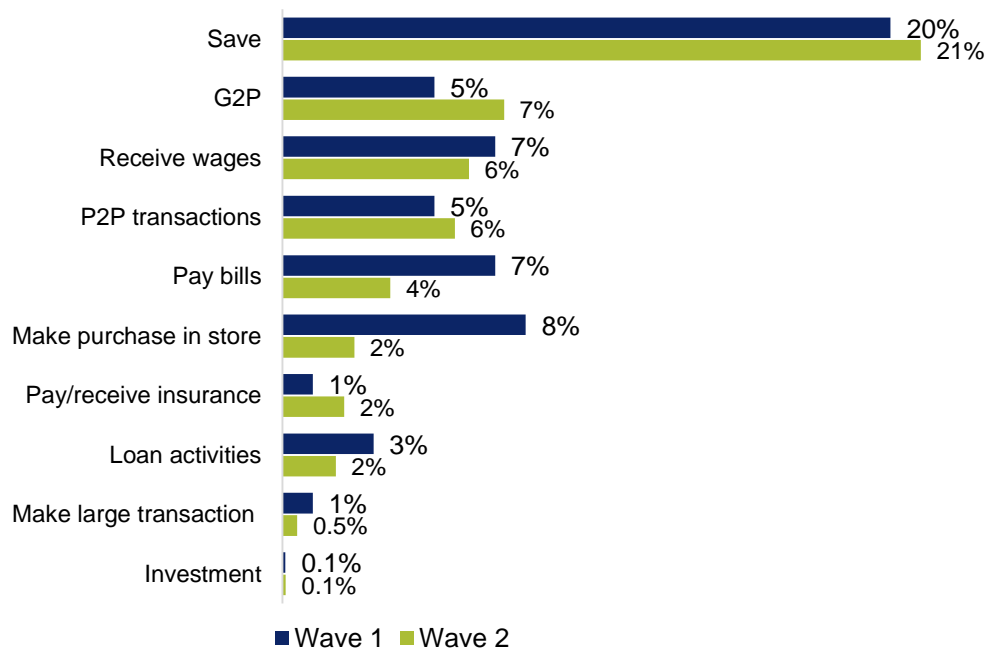


Advanced banking transactions are still rare, but static between 2013-2014 despite account growth

Bank account uses beyond deposits and withdrawals

(Base year 2013: registered bank account holders n=20,695)

(Base year 2014: registered bank account holders n=24,657)



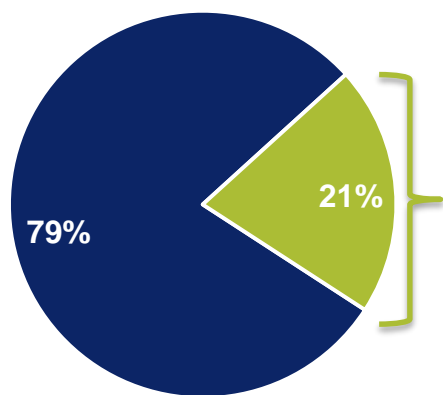
Types of bank account use remain fairly unchanged. More bank account holders reported using banks for paying bills and making purchases at stores.

Close to one in 10 (8%) bank account holders depend on someone else, usually a spouse or a child, to make transactions at a bank.

One in five Indians receive government payments; it's common for payments to be electronically delivered to bank accounts

Recipients of government benefits

(Shown: Percentage of Indian adults, N=45,087)



Of G2P receivers:

- 86% get one government benefit;
- 13% have two government benefits; and
- Less than 2% have more than two benefits.

■ Non-G2P recipients ■ G2P recipients

*In 2013, the survey asked respondents about payments received in the last six months, whereas in 2014, this time stipulation was removed. Hence, the 2013 and 2014 numbers are not strictly comparable for year-on-year improvements. In 2013, 35% of government payment recipients received payments through direct deposits; 13% said they had to pay a bribe; and the average wait time was 36 days.

Government payments

(Percentage of those receiving government payments in Wave 2, n=8,958)

44% receive payments directly into a bank account



7% said they had to pay a bribe to get their government payments



On average, people had to wait 59 days



*Active account holder is an individual who has a registered account and has used it in the last 90 days

Source: InterMedia India FII Tracker survey: (N=45,087, 15+) September-December 2014.

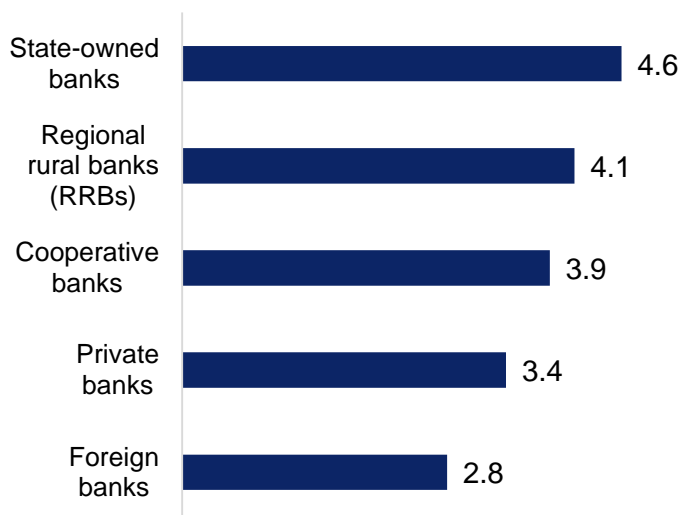
INDIA

State-owned banks, RRBs enjoy high levels of trust; trust in private and foreign banks grew vs. 2013

Attitude towards banks

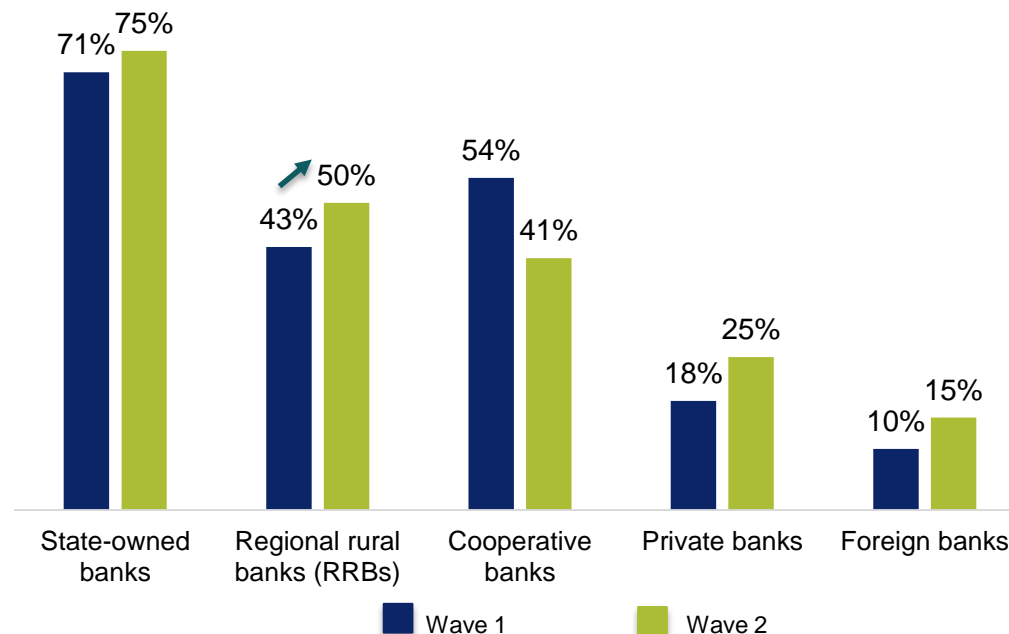
(Shown: Average rating for each category based on Indian adults' stated level of trust)

(Trust levels: 1=Don't trust at all, 5=Fully trust)



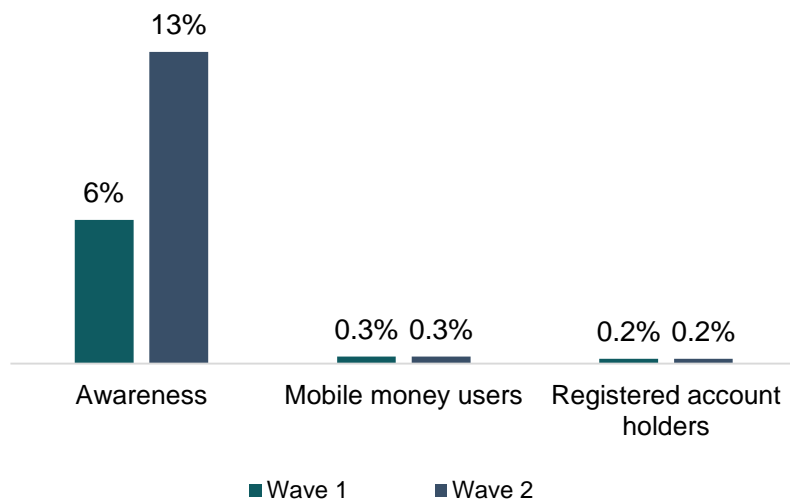
Percent who say they "fully trust" the institution below

(Shown: Percentage of Indian adults who provided a trust rating)



POTENTIAL FOR MOBILE MONEY

Mobile money awareness and use
(Shown: Percentage of Indian adults, Wave 1, N=45,024; Wave 2, N=45,087)

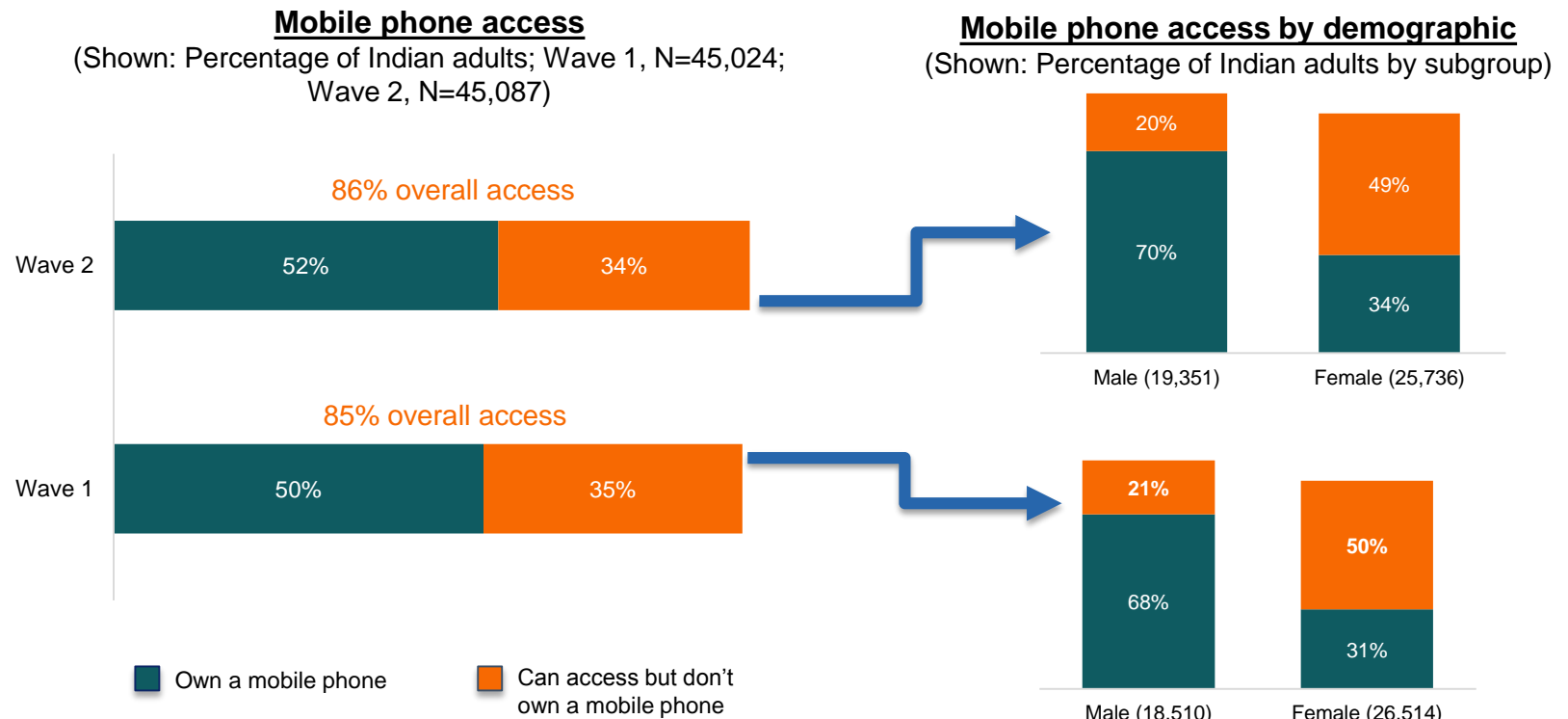


Mobile money awareness doubled between Waves 1 and Wave 2, yet encouraging mobile money use and account registration remains a challenge.

Wave 2 data shows there are three key barriers to expanding mobile money in India:

- **Ownership barrier:** A mobile phone ownership gap exists between men and women (70 percent of men and 34 percent of women own phones).
- **Technical skills barrier:** The basic technical skills needed to use mobile phones are lacking, particularly among women and rural, poor adults.
- **Relevance barrier:** Despite the increase in mobile money awareness between 2013-2014 (from 6% to 13%), use levels remain unchanged.

Mobile phone ownership remains static from 2013 to 2014

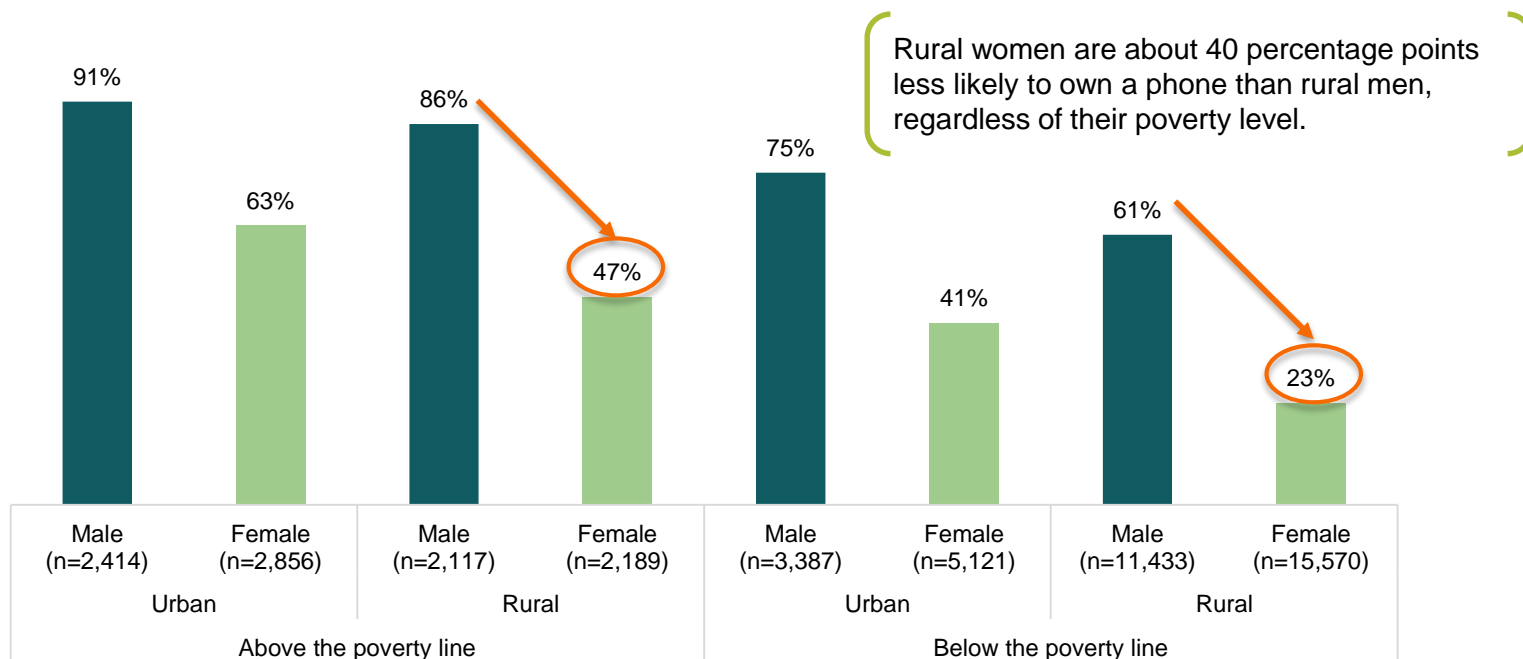


INDIA

Women are far less likely than men to own a mobile phone, regardless of poverty level or location

Gender breakdown by mobile phone ownership

(Shown: Percentage of Indian adults by subgroup)



INDIA

The gender gap in mobile phone ownership across states ranges from 18 to 48 percentage points

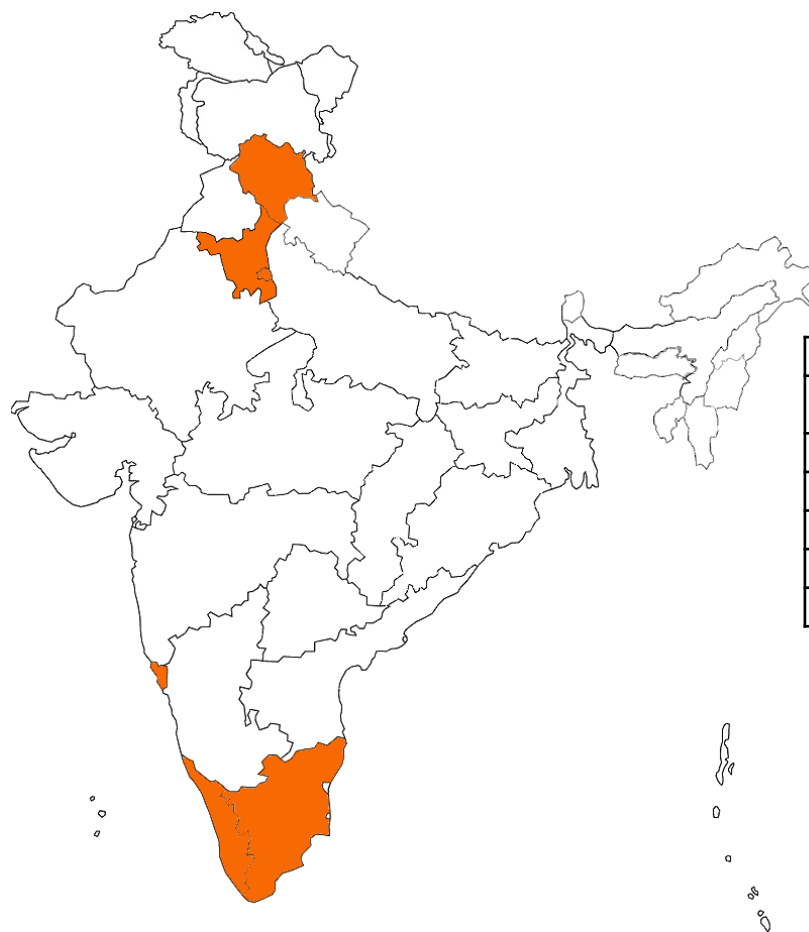
State	Men	Women	Percentage point difference
Rajasthan	72%	24%	48%
Andhra Pradesh	74%	31%	43%
Gujarat	74%	31%	43%
Uttar Pradesh	65%	23%	42%
Madhya Pradesh	54%	14%	41%
West Bengal	72%	33%	39%
Karnataka	87%	49%	38%
Punjab	84%	46%	38%
Haryana	89%	51%	38%
Jharkhand	56%	21%	35%
Maharashtra	75%	41%	34%
Chhattisgarh	50%	17%	33%
Assam	56%	24%	32%
Tamil Nadu	85%	53%	31%
Bihar	61%	29%	31%
Uttarakhand	72%	43%	29%
Orissa	50%	24%	26%
Goa	92%	68%	25%
Delhi	88%	64%	24%
North East*	80%	56%	24%
Kerala	87%	64%	23%
Himachal Pradesh	94%	76%	18%

State-level data

The FII surveys are designed to be representative at the national level. While the sample sizes in each state are proportional to the total population of the state as well as the distribution of urban-rural populations in each state, the survey is not designed to be representative of the populations at the state level. Within each state, towns and villages are chosen through the probability proportional to size method and may not account for any regional or socio-economic variations within that state.

INDIA

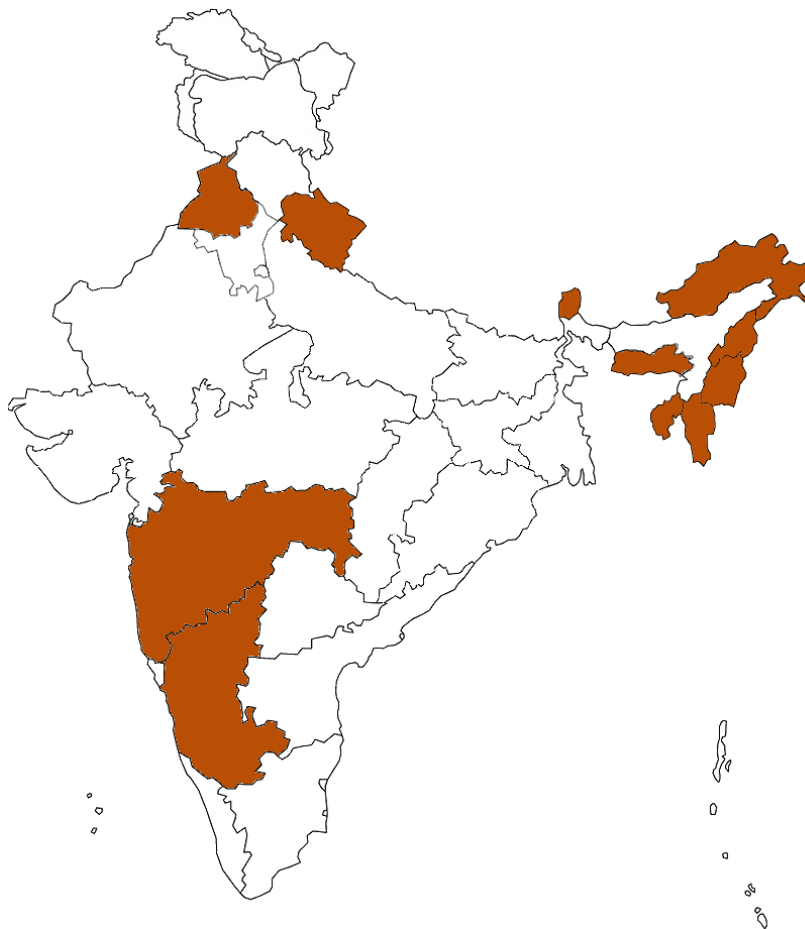
Some states show high rates of mobile phone ownership and a large gender gap



State	All adults	Men	Women
Himachal Pradesh	85%	94%	76%
Goa	80%	92%	68%
Delhi	76%	88%	64%
Kerala	75%	87%	64%
Haryana	71%	89%	51%
Tamil Nadu	69%	85%	53%

INDIA

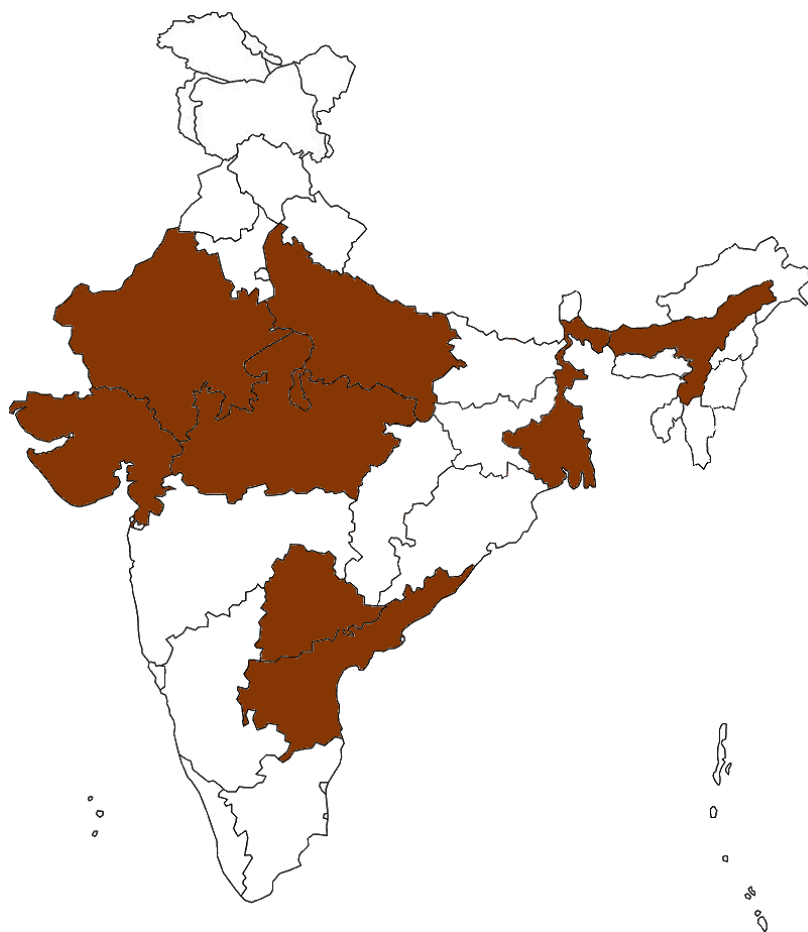
Some states show moderate rates of mobile phone ownership and a large gender gap



State	All adults	Men	Women
Karnataka	68%	87%	49%
North East*	68%	80%	56%
Punjab	66%	84%	46%
Maharashtra	58%	75%	41%
Uttarakhand	58%	72%	43%

INDIA

Some states show low rates of mobile phone ownership and a large gender gap



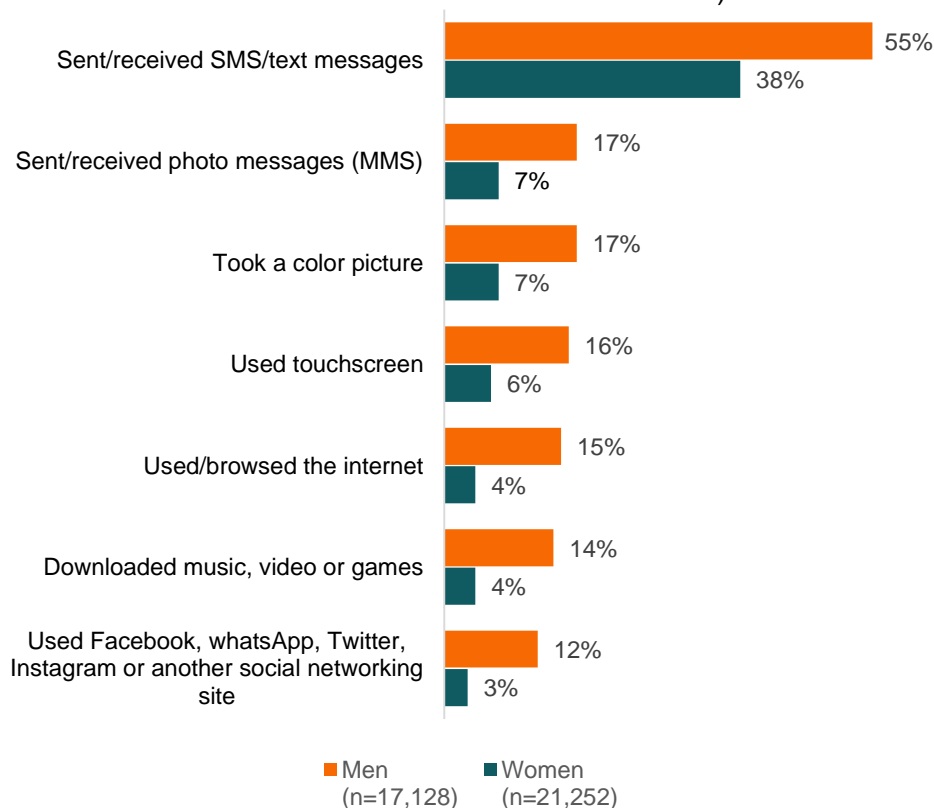
State	All adults	Men	Women
Gujarat	66%	74%	31%
West Bengal	53%	72%	33%
Andhra Pradesh	52%	74%	31%
Rajasthan	48%	72%	24%
Bihar	46%	61%	29%
Uttar Pradesh	45%	65%	23%
Assam	40%	56%	24%
Jharkhand	39%	56%	21%
Orissa	37%	50%	24%
Madhya Pradesh	35%	54%	14%
Chhattisgarh	34%	50%	17%

INDIA

Fewer women engage in advanced mobile phone functions

Most common functions mobile phone users engage in, by gender

(Shown: Percentage of men and women with access to a mobile phone who conduct these activities)



99% of men and women who have access to a phone use it to make and receive calls. But for all other phone activities, there is a clear gap between men and women.

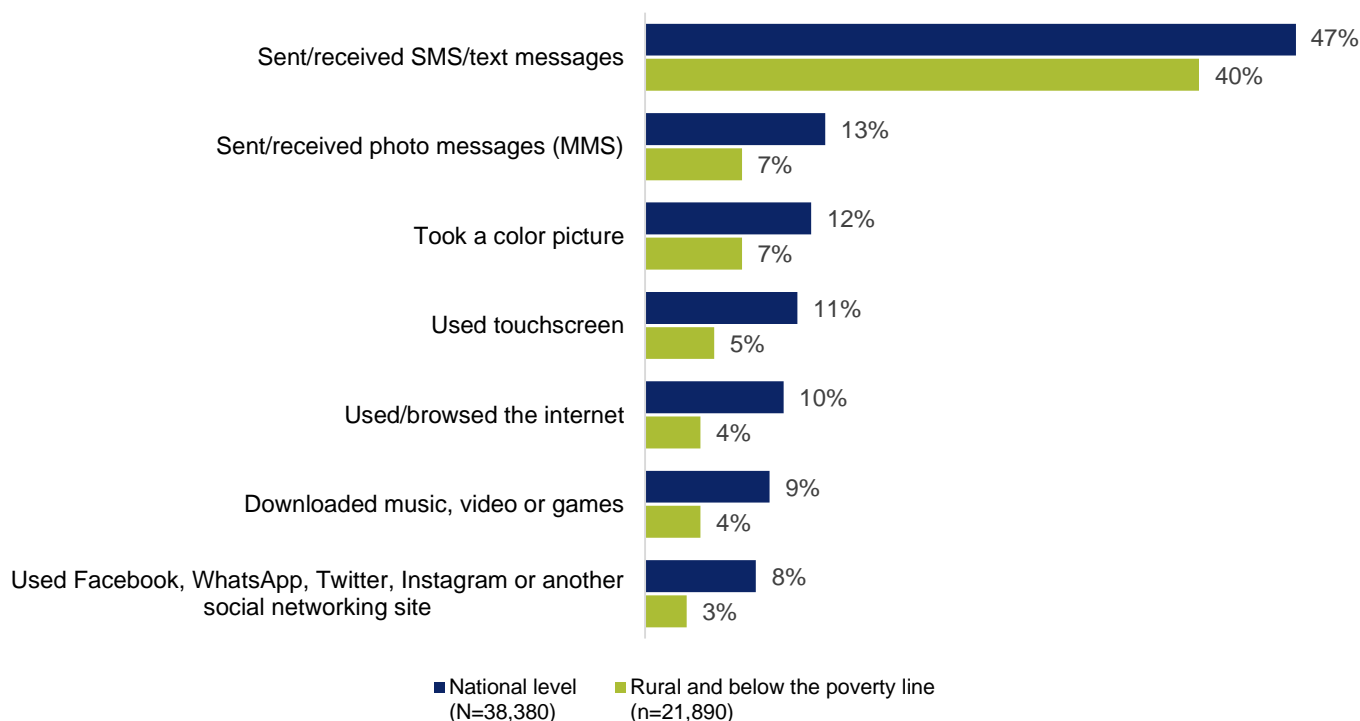
28% of males have engaged in two or more of these activities compared with just 12% of females.

Even those women who use a variety of phone functions are more likely than men to say they need help with using these functions.

Rural poor also engage in fewer advanced mobile phone functions compared with the national population

Most common functions mobile phone users engage in, nationally vs. rural poor

(Shown: Percentage of all adult Indians and rural poor who have access to a mobile phone and conduct these activities)

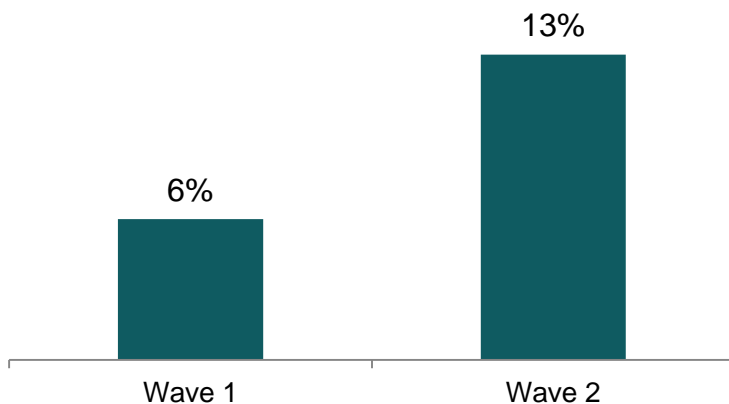


INDIA

Mobile money awareness doubled between 2013-2014; this does not translate into knowledge and use

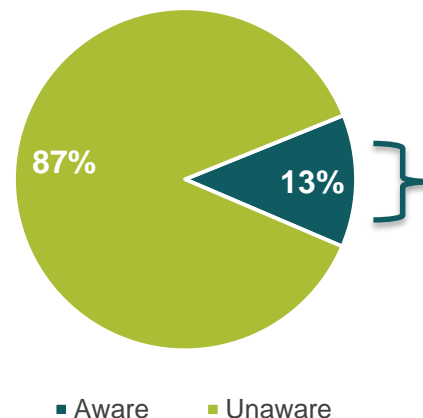
Awareness increase (2013-2014)

(Shown: Percentage of Indian adults who recognized at least one mobile money provider
W1, N=45,024; W2, N=45,087)



Awareness (2014)

(Shown: Percentage of Indian adults who recognized at least one mobile money provider N=45,087)



Among those aware:

- 29% do not know what mobile money is conceptually.
- 2% have used mobile money.
- 2% have registered mobile money accounts.

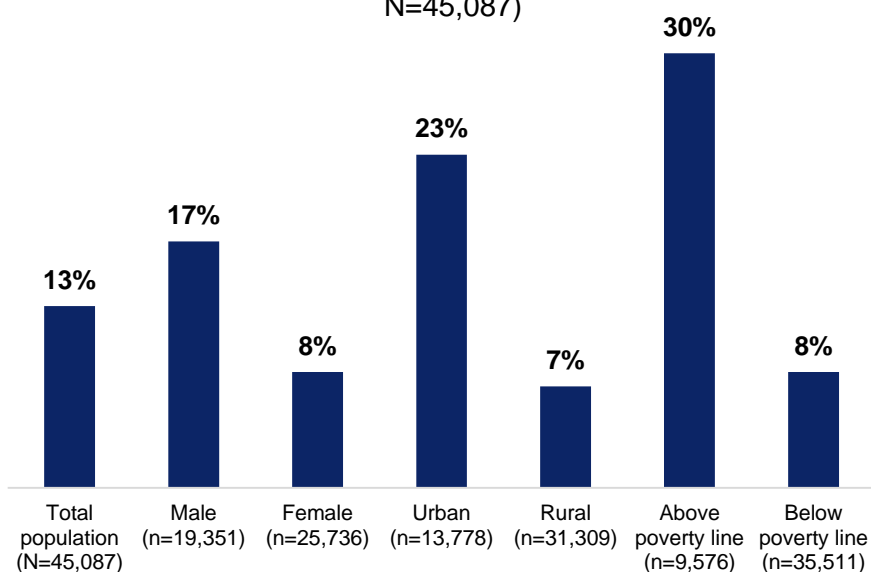
Categories are not mutually exclusive.

INDIA

Mobile money awareness is lower among females, poor and rural adults

Demographics of mobile-money brand awareness

(Shown: Percentage of Indian adults who fall into each category, N=45,087)



“How did you first learn about this mobile money service?”

Rank	Top 4 initial sources (% of individuals aware of a mobile money service)	% (n=4,775)
①	Television	76
②	Family and/or friends	16
③	Billboards	13
④	Newspapers/magazines	4

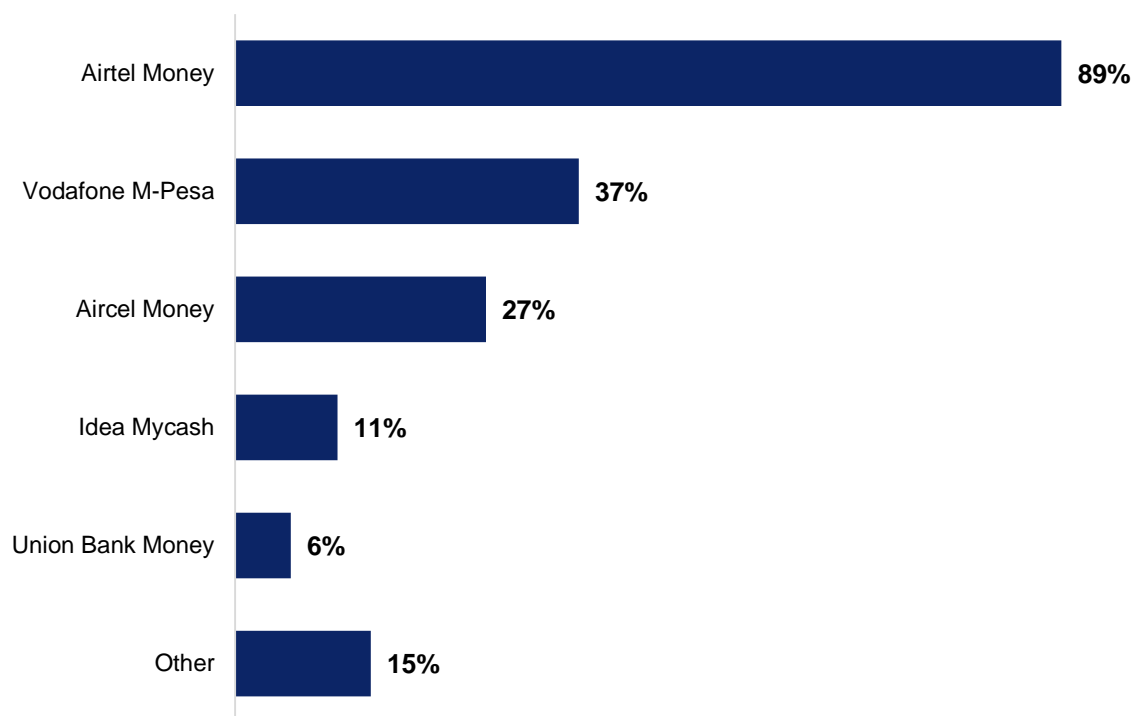
Question allowed multiple responses.

INDIA

Mobile money awareness is mainly limited to one provider, even though multiple providers exist in the marketplace

Mobile-money provider awareness

(Shown: Percentage of Indian adults aware of these mobile money providers, n=4,775)



- 50% of those aware of mobile money are aware of just one provider.
- 27% are aware of two.
- 23% are aware of more than two.

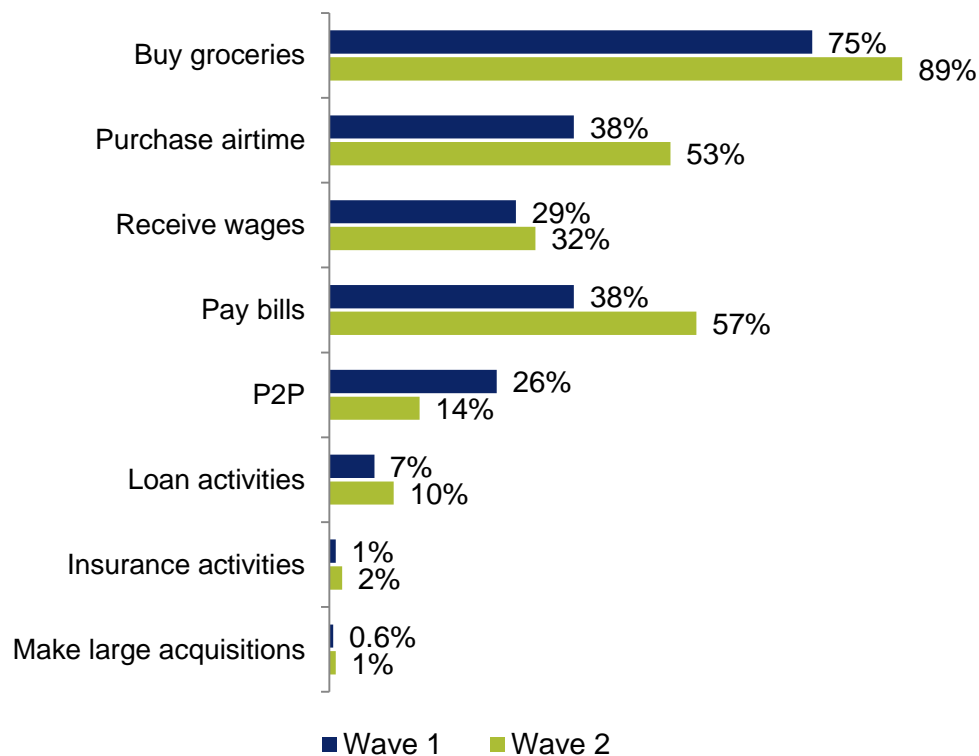
Question allowed multiple responses.

Source: InterMedia India FII Tracker survey: Wave 2 (N=45,087, 15+) September-December 2014.

FINANCIAL BEHAVIOR & OPPORTUNITIES FOR DIGITIZATION

Indians' financial activities in the previous month

(Shown: Percentage of Indian adults, W1, N=45,024; W2, N=45,087)

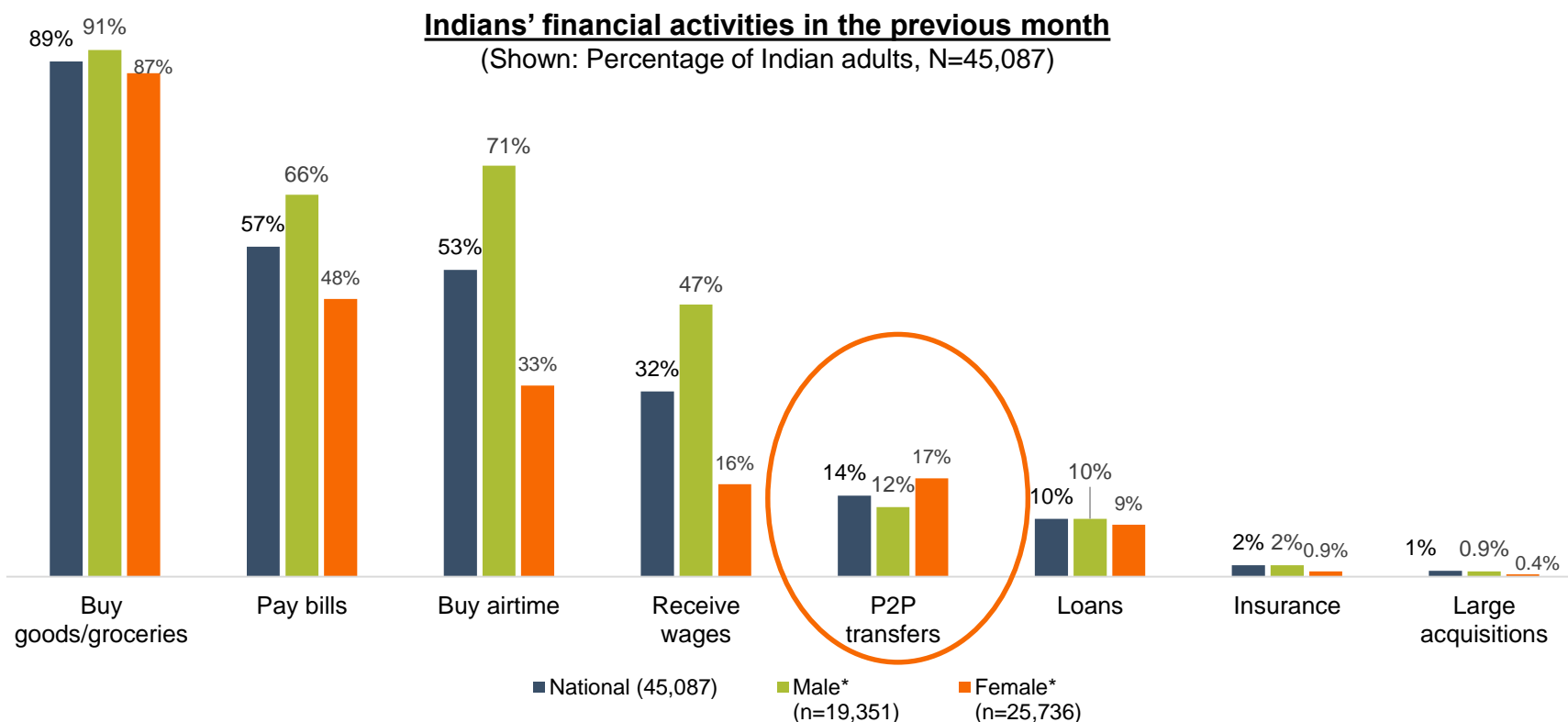


In 2014, the percentage of Indians engaged in financial transactions each month increased.

- On average, Indians engaged in four financial activities each month.
- 51% conducted more than four activities each month.

INDIA

Both men and women engage in financial transactions; women are more likely than men to send remittances



*For all financial transactions, the differences between men and women are statistically significant.

Source: InterMedia India FII Tracker survey: Wave 2 (N=45,087, 15+) September-December 2014.

INDIA

Cash is the dominant method for making financial transactions

Payment methods for financial activities

(Shown: Percentage of Indian adults who conducted each activity in the last month)

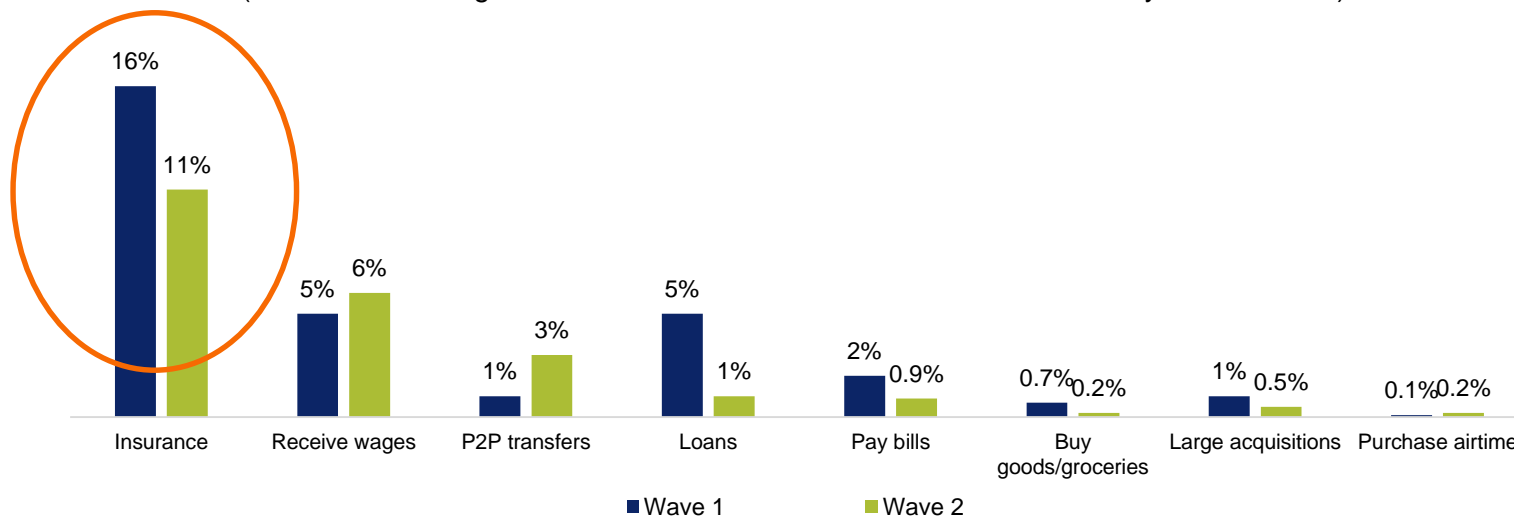
Financial activities	Cash personally delivered	Cash sent through friends/ relatives	Cash sent through post/ courier	Check or demand draft	Electronic transfer: bank accounts
Buy goods/groceries (n=40,164)	99%	2%	0.5%	0.0%	0.1%
Pay bills (n=25,312)	99%	2%	0.5%	0.6%	0.3%
Purchase airtime (n=21,855)	99%	0.8%	0.4%	0.0%	0.1%
Receive wages (n=13,409)	94%	0.5%	0.3%	1%	4%
P2P transfers (n=6,704)	87%	12%	1%	0.1%	2%
Loans (n=4,463)	98%	3%	0.5%	0.2%	0.8%
Insurance (n=692)	90%	1%	0.4%	4%	7%
Large acquisitions (n=316)	96%	2%	0.9%	0.0%	0.5%

INDIA

Conducting digital financial transactions is rare, with no improvement between 2013-2014

Digital payment for financial activities, Wave 1 vs. Wave 2

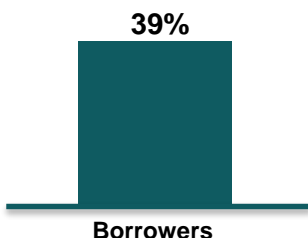
(Shown: Percentage of Indian adults who have conducted each activity in one month)



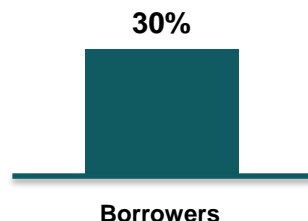
Bases	Insurance	Receive wages	P2P transfers	Loans	Pay bills	Buy goods/groceries	Large acquisitions	Purchase airtime
W1, 2013	532	12,108	12,203	2,998	16,846	33,436	260	15,338
W2, 2014	692	13,409	6,704	4,463	25,312	40,164	316	21,855

INDIA

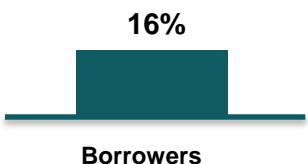
Most adults borrow through their communities or moneylenders, rather than through banks



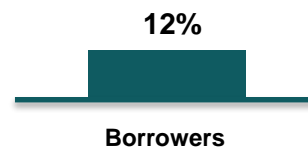
Northern Borrower (n=4,049)	
1. Through my community:	88%
2. Private money lender:	14%
3. Through a bank:	5%
4. Saving/lending group:	1%



Southern Borrower (n=3,177)	
1. Private money lender:	41%
2. Through my community:	38%
3. Through a bank:	32%
4. Saving/lending group:	20%



Eastern Borrower (n=1,915)	
1. Through my community:	50%
2. Private money lender:	35%
3. Through a bank:	11%
4. Saving/lending group:	11%



Western Borrower (n=1,575)	
1. Through my community:	56%
2. Private money lender:	25%
3. Through a bank:	21%
4. Saving/lending group:	6%

- Nationally, 23% are borrowers.
- 79% of borrowers (n=10,716) said they do not borrow through a bank or NBFI.

INDIA

Most loans are used for routine purchases and medical expenses; some borrow to invest in business, agriculture

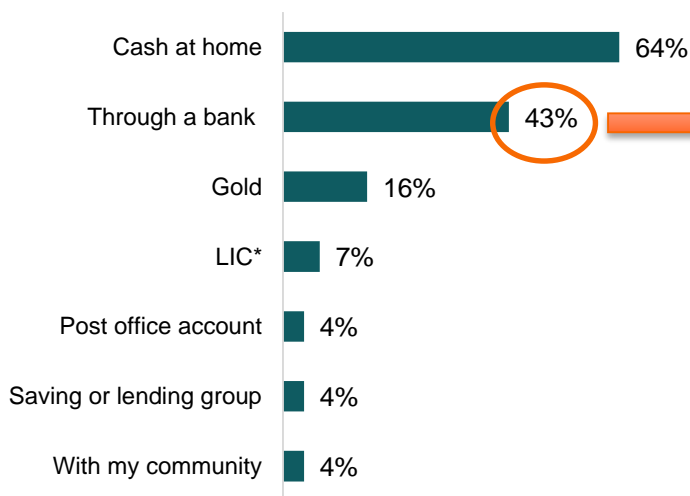
Main reasons for borrowing money (percentage of adults to ever borrow money, n=10,716)	%
Routine purchases such as groceries and transportation	66
Medical payments, hospital charges	57
Educational expenses, school fees	18
Investment in business, farm or future, e.g., buying livestock, land, seeds, equipment and machinery	15
Bills: utility bills, mobile phone and airtime, rent, taxes, etc.	5
Emergency expenses	4
Make a large purchase, such as a TV, car, bicycle, or house, etc.	4

INDIA

Eighty-two percent of Indians save money, most keep cash at home; saving with a bank is a distant second

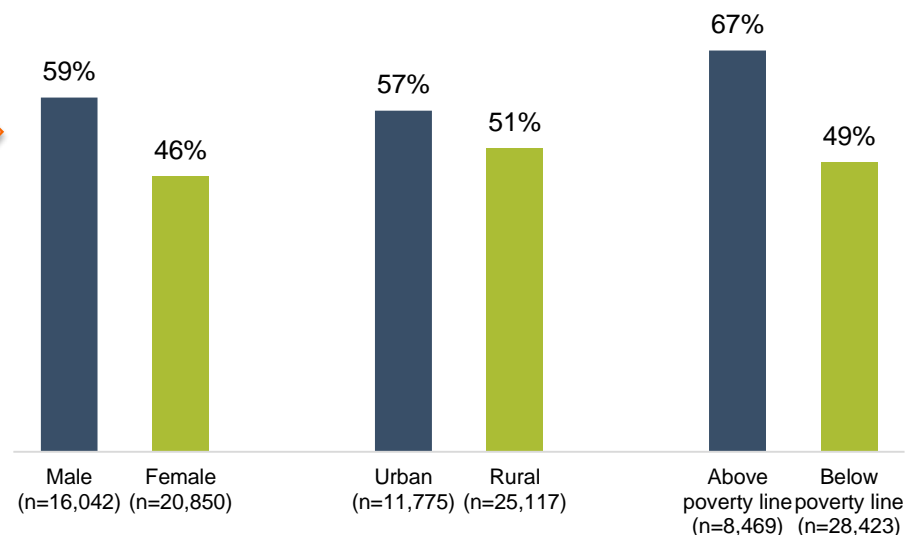
Top methods used to save money

(Shown: Percentage of Indian adults, N=45,087)



Saving through a bank, by demographic group

(Shown: Percentage of adults in each subgroup who have ever saved)



*Life Insurance Corporation of India, a state-owned insurance company, provides its customers with life insurance policies.
 Source: InterMedia India FII Tracker survey: Wave 2 (N=45,087, 15+) September-December 2014.

INDIA

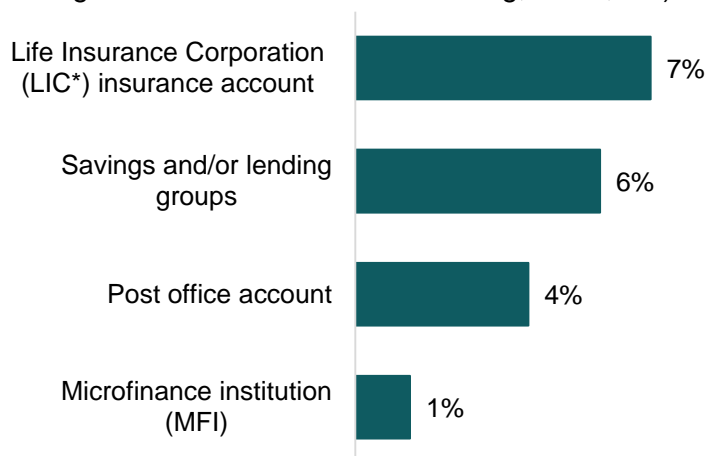
Indians save money for the same reasons they take out loans – to meet daily expenses and prepare for emergencies

Main reasons for saving money <i>(percentage of adults to ever save money n=36,892)</i>	%
To make ends meet on a daily basis and for daily expenses	60
For emergencies such as illness, flood, droughts, etc.	43
Save as much as I can	27
Protect my family from poverty and crime	25
Save funds for children's education	23
Protect my belongings	19
Save for children's wedding	15

Some use of non-banking financial institutions; most savings group members are women

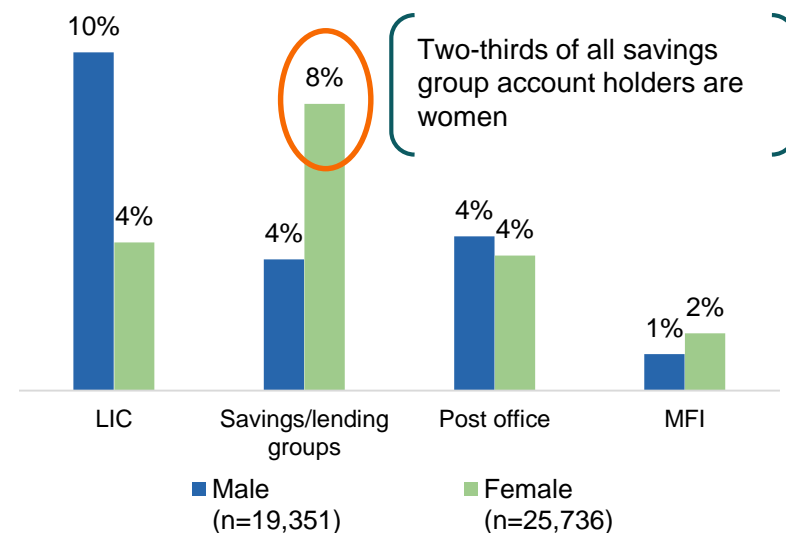
Registered accounts of NBFIs

(Shown: Percentage of Indian adults who have a registered account with the following, N=45,087)



Gender differences in registered NBFI accounts

(Shown: Percentage of Indian adults)



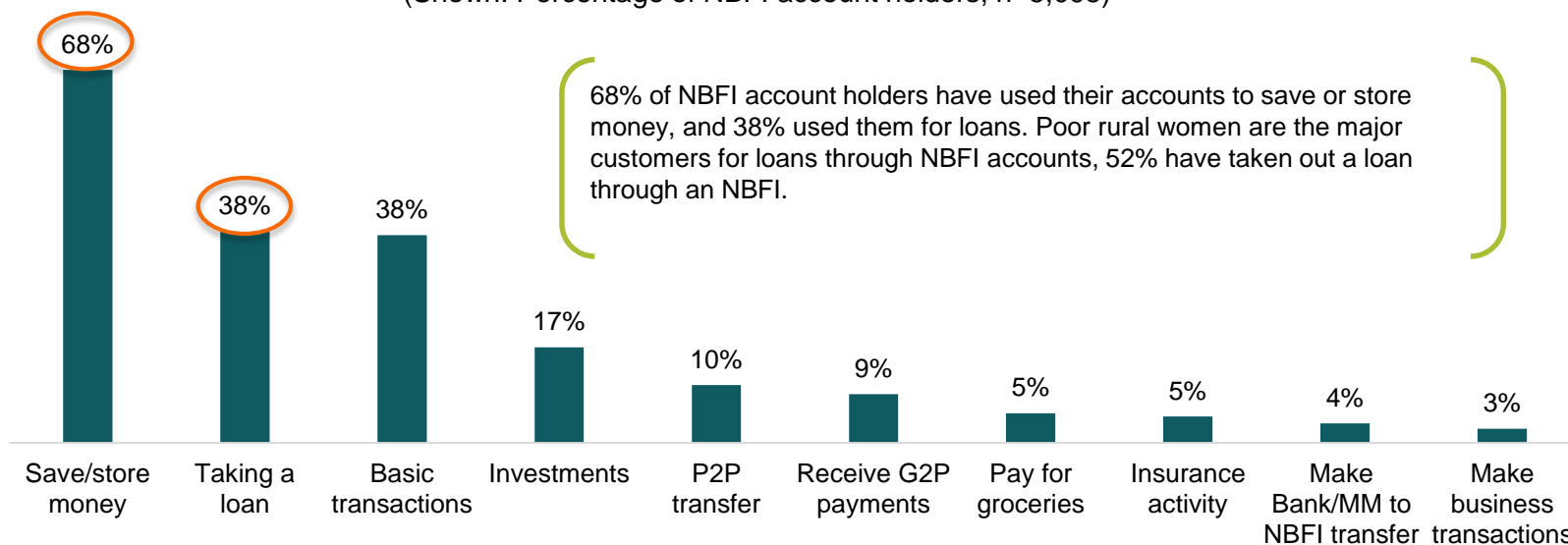
*Life Insurance Corporation of India, a state-owned insurance company, provides its customers with life insurance policies. These accounts are not included in the FII list of nonbank financial institutions as these accounts do not offer services such as savings, money transfers and credit. However, customers can take a loan against their policies, and may think of their policies as savings.

INDIA

NBFI accounts are used for both savings and loans

NBFI accounts use, by type of transaction

(Shown: Percentage of NBFI account holders, n=5,095)



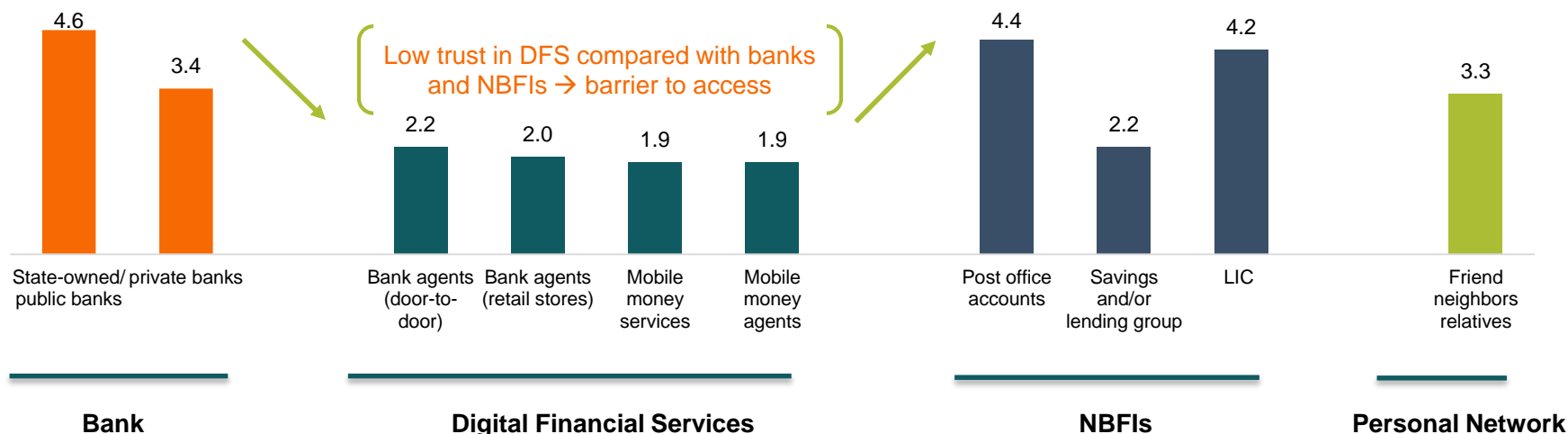
INDIA

Digital financial services face a trust gap, which may be a possible barrier to adoption

Level of trust towards financial services

(Shown: Rating for each category provided by Indian adults who provided a trust rating; respondents were allowed to respond "don't know/refused")

Trust levels: 1 = Don't trust at all; 5 = Fully trust



METHODOLOGY & RESEARCH DESCRIPTION

INDIA

Survey sampling approach

- The analysis presented in this report is based on two nationally representative surveys of 45,000 Indian adults, ages 15 and older conducted by FII. The first survey (N=45,024) was conducted from Oct. 15, 2013, to Jan. 8, 2014. The second survey (N=45,087) was conducted from Sept. 14 to Dec. 4, 2014. The surveys were conducted in partnership with IMRB International in India.
- A multistage, stratified, clustered and randomized sampling methodology was adopted that included proportional distribution of the sample across all states of India and eight stratified urban and rural classes based on the 2011 Indian census.
- 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
- **Stratification at the state level:** India is divided into 29 states and seven union territories. The target sample size was distributed among the states and union territories proportionally to the size of the target population (15+) in each state of the population residing in each class.
- The survey excluded the state of Jammu & Kashmir and two union territories (Andaman-Nicobar islands and Lakshadweep islands). The state of Telangana was not treated separately from Andhra Pradesh, since this was the case in the 2011 census. The remaining five union territories were each treated as part of the closest neighboring states. Seven states of northeastern India were treated as one state, but Assam was treated as an independent state. Two states in India, namely Uttar Pradesh and Bihar are key states of interest for the FSP program in India. Both of these states are predominantly rural in their population breakdowns – close to 80:20 (rural/urban) in Uttar Pradesh and 90:10 (rural/urban) in Bihar. Oversampling of urban areas in these provinces was done and the sample allocation to rural/urban was adjusted to 70:30 in these states to more closely mirror the national rural/urban composition and ensure larger urban subsamples for state-level analysis. It was then weighted back to census-based urban/rural breakdowns in the state. Union territories were grouped with their associated states.
- **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 68 percent of the population.

INDIA

Sampling approach (cont.)

- 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.

- 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.

- 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.
- 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.
- The individual respondent (15+) within a household was chosen using the Kish grid method.

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

APPENDIX

INDIA

State samples

State name	Wave 1 (2013)	Wave 2 (2014)
Delhi	500	501
Himachal Pradesh	305	305
Haryana	805	797
Punjab	1173	1174
Uttar Pradesh	7331	7332
Uttarakhand	405	405
Assam	1219	1231
North East	487	490
Bihar	3645	3646
Jharkhand	1175	1175
Orissa	1691	1690
West Bengal	3440	3441
Rajasthan	2540	2552
Gujarat	2140	2140
Madhya Pradesh	2649	2651
Maharashtra	4290	4294
Chhattisgarh	1030	1042
Goa	130	130
Andhra Pradesh	3558	3572
Karnataka	2296	2301
Kerala	1345	1345
Tamil Nadu	2870	2873

INDIA

Additional demographics

			Wave 1 (2013)	Wave 2 (2014)
Above the poverty line	Male	Urban	2,530	2,414
		Rural	1,789	2,117
	Female	Urban	3,201	2,856
		Rural	2,026	2,189
Below the poverty line	Male	Urban	3,057	3,387
		Rural	11,134	11,433
	Female	Urban	4,965	5,121
		Rural	16,322	15,570

GLOSSARY

- **Access** - Access to a bank, mobile money account or NBFi account means a respondent can use their services either via their own account or via an account of another person.
- **Active account holder** – An individual who has a registered account and has used it in the last 90 days.
- **Active user** – An individual who has used any financial service for any type of transaction in the past 90 days via his/her own account or somebody else’s account.
- **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.
- **Below the poverty line** - In this particular study, adults living on less than \$2.50 per day, as classified by the Grameen PPI.
- **Digital financial services (DFS)** – Financial services that are provided through an electronic platform (mobile phones, electronic cards, the internet, etc.).
- **Digital stored-value account (DSVA)** – An account in which funds or a monetary value are represented in a digital electronic format and can be retrieved/transferred by the owner of the account remotely. These accounts are full service accounts (i.e., they offer services beyond credit, such as savings, money transfers, investments or insurance).
- **Dormant account**– An account that has not been used in the last 90 days.
- **Financial inclusion**—For the purposes of this study, those with a bank, nonbank financial institution or registered mobile money account that offers a range of financial services beyond credit are considered financially included.
- **Full-service account:** An account that offers financial services beyond credit only; such as savings, money transfers, investments or insurance. All accounts that are counted within the indicators are full-service indicators.
- **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.
- **Mobile money (MM)** – A service in which a mobile phone is used to access financial services.
- **Non-banking financial institution (NBFI)** – NBFIs include microfinance institutions, post office accounts or savings and lending groups.
- **Registered active user** – A person with a registered account that has used it in the last 90 days.
- **Urban/rural** – Urban and rural persons are defined according to their residence in urban or rural areas, as defined by the Indian census.

For more information, contact:
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