

Assessment of Bank Mitrs (BMs) under Pradhan Mantri Jan Dhan Yojana (PMJDY) - Round II

New Delhi
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Background and Objective of the Research

Background

PMJDY is the largest financial inclusion scheme in India and perhaps the world. Towards the end of 2014, *MicroSave* conducted a dip stick study to understand the outreach and impact of the scheme; the findings were presented to the Department of Financial Services, Ministry of Finance, Government of India. To take stock of the movement and direction of the scheme, *MicroSave* with support from the Bill and Melinda Gates Foundation, conducted another round of extensive quantitative research of Bank Mitrs (BMs) and customers. The quantitative study was supplemented by qualitative research to understand the nuances from the perspectives of customers and BMs.

Objective of the research

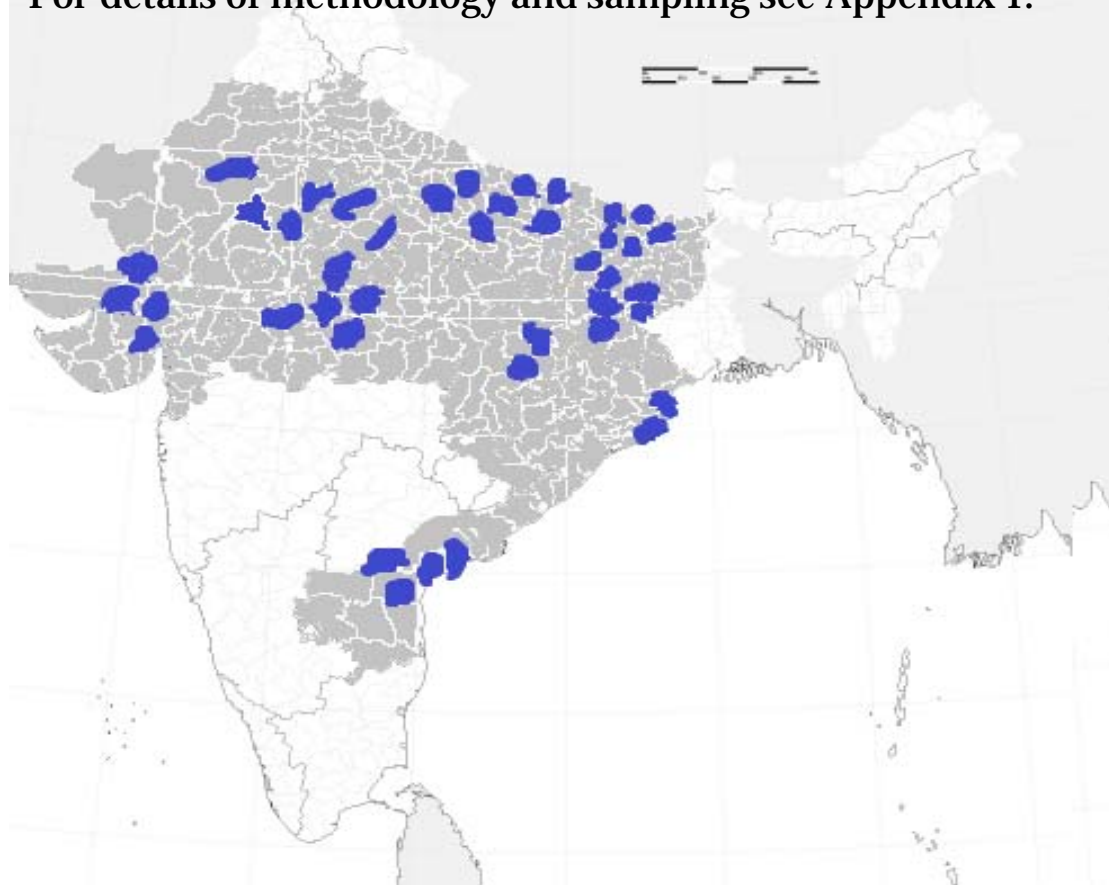
MicroSave conducted the research with the following objectives:

1. Physically verify the availability of BMs at their locations
2. Assess the quality of services being provided to account holders and the product(s) portfolio of BMs
3. Understand issues associated with sustainability of BMs and their satisfaction levels
4. Assess support mechanisms available to BMs.
5. Gather information of PMJDY account holders to understand:
 - Customers profiling including demographics,
 - Customers preference for transaction points
 - Customer's savings behavior and financial literacy and
 - Penetration of financial products (Savings & Insurance).

Sample and Districts Covered

- 1,700 BMs and 4,514 customers were covered by the quantitative survey
- 74 BMs were interviewed during the qualitative research.

For details of methodology and sampling see Appendix 1.



State	Districts Surveyed
Andhra Pradesh	4
Bihar	7
Chhattisgarh	2
Gujarat	4
Jharkhand	4
Madhya Pradesh	6
Odisha	2
Rajasthan	5
Uttar Pradesh	7
Total	41

Definition of Key Terms

Term	Definition
BM (Bank Mitr)	Agents appointed by banks to offer financial services in financially excluded villages
Available/Interviewed BMs	Proportion of sampled BMs who could be located on the ground. All of them were interviewed in person or via telephone.
Untraceable BMs	Proportion of sampled BMs who could not be traced at their designated locations or through contact details
Active BMs	Proportion of Available/Interviewed BMs who are still associated with banks and are offering financial services.
Dormant BMs	Proportion of Available/Interviewed BMs who have abandoned their role as BM OR have stopped offering financial services
Transaction Ready BMs	Proportion of active BMs who are equipped with transaction devices (Laptop/PoS) and are capable of opening accounts and conducting deposit and withdrawal transactions

Executive Summary

Summary of Findings (1/3)

Round 1 was conducted during Sept. & Oct. 2014
Round 2 was conducted during Apr. & May 2015

Marginal reduction in Bank Mitr (BM) availability (from 89% to 84%)

Transaction readiness has increased significantly from 54% to 79%

44% of the BMs are working out of multiple locations

BMs are the main source of information for customers about PMJDY and are also the most preferred point of transaction (compared to bank branch and ATMs)

Summary of Findings (2/3)

69% of devices at Bank Mitr points are *Aadhaar* enabled, while 39% are *RuPay* enabled

Aadhaar seeding has increased to 52%; *RuPay* card issuance has picked up (currently 43% up from 18% earlier)

Average number of transactions conducted by BM per month has marginally improved across all the banks. Average number of transactions per month is 215, up from 195.

BMs across all banks are earning better average monthly income (INR.3,951) compared to last round (INR.2,724)

Average monthly income (INR.4,330) for BMs appointed directly by banks is higher compared to that of BMs appointed and managed by BCNMs (INR.3,460)

Summary of Findings (3/3)

The majority (71%) of BMs are paid completely variable commission based on the business done in a month. 29% receive a minimum fixed amount- that varies by bank/ BCNM- plus variable commission.

Only 41% BMs report access to any kind of helpline. Training is focused only on conducting transactions and operating the devices.

Proportion of dissatisfied BMs is almost double (46.1%) to those who are satisfied (23.4%)

BM churn is high: 72.2% of BMs interviewed are only 18 months old (or less)

Summary of Recommendations

Aadhaar linkage for all devices to be tracked on real-time basis for better monitoring and management of BMs

Develop and deploy a common standard training module for BMs, who should not remain just transaction points, rather act as “financial intermediary”.

Proper monitoring and support to BMs: Visiting officials can sign in using *Aadhaar* authentication at BM point to ensure that they actually visit BMs regularly. Additionally, mystery shopping can help ensure regular visits.

For BM viability: Revise commissions and ensure payment of minimum amount stipulated (Rs.5,000 per month);

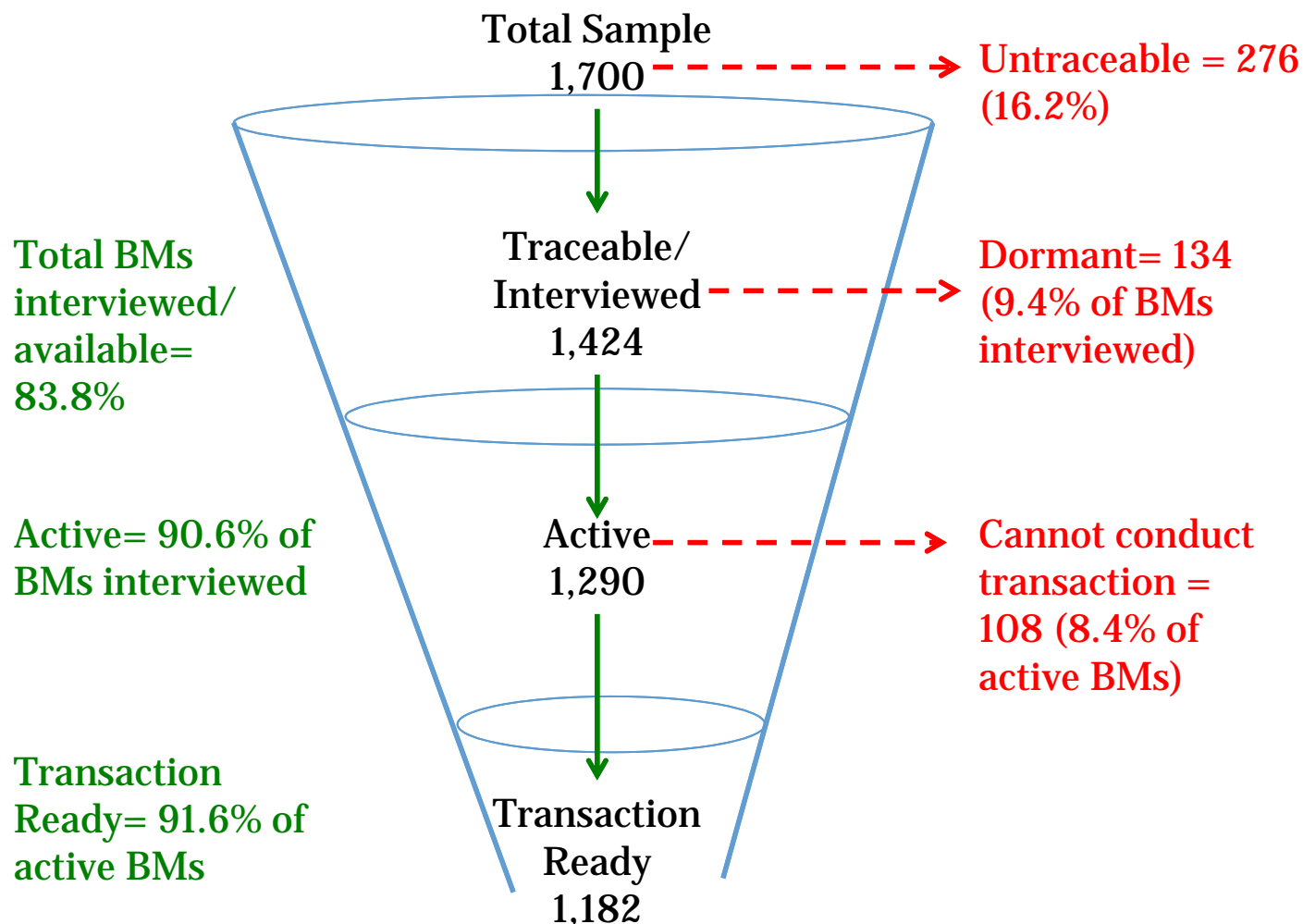
Roll out additional appropriate products (minimum of demand and term deposits, insurance, and remittance);

Enhance customer awareness to increase footfall.



Highlights

Customer can transact only at 2 out of 3 locations where an operational Bank Mitr outlet is supposed to exist.

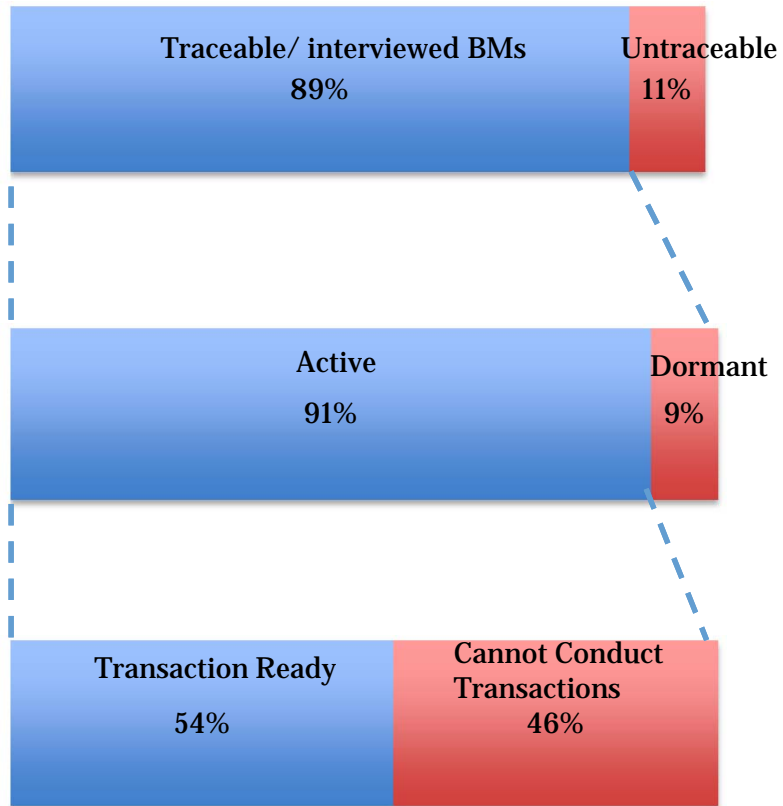


*Percentages are calculated on the basis of total sample, i.e., as per cent of 1,700

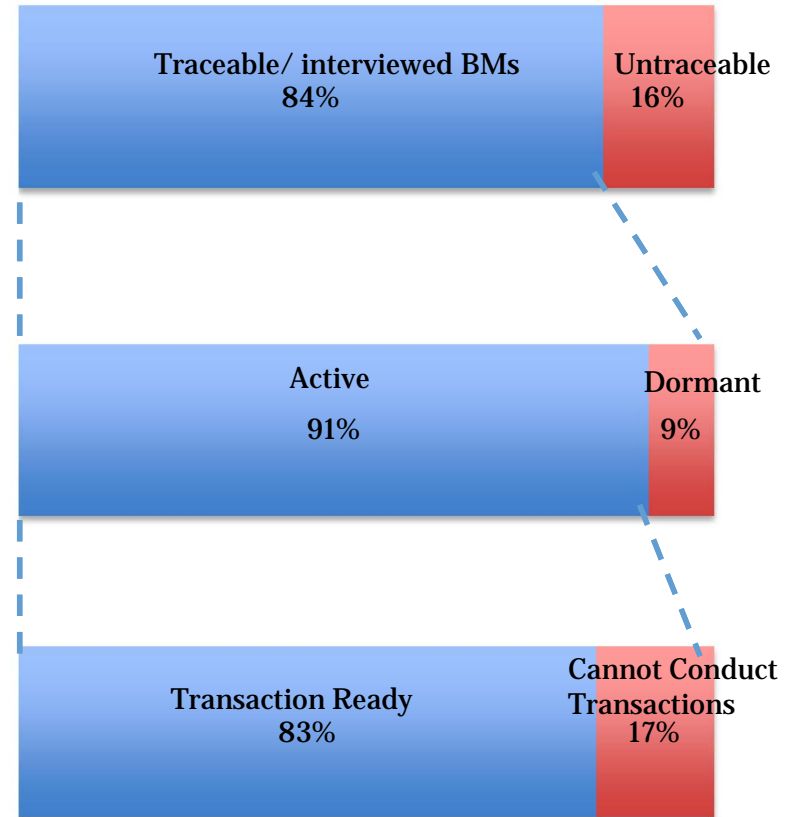
**BM was marked untraceable if they were not present at their location, and nobody in the village could identify them by name/ address, and the BMs could not be contacted on the provided mobile number.

Comparison of PMJDY Round-I with PMJDY Round-II Figures

Round 1: N=2,039



Round 2: N=1,700

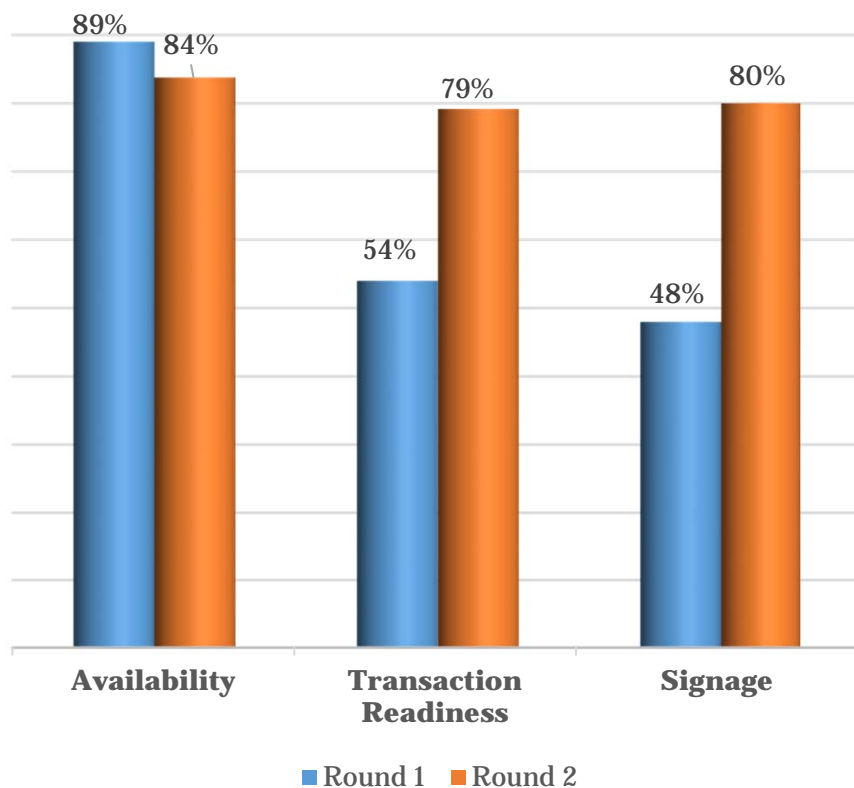




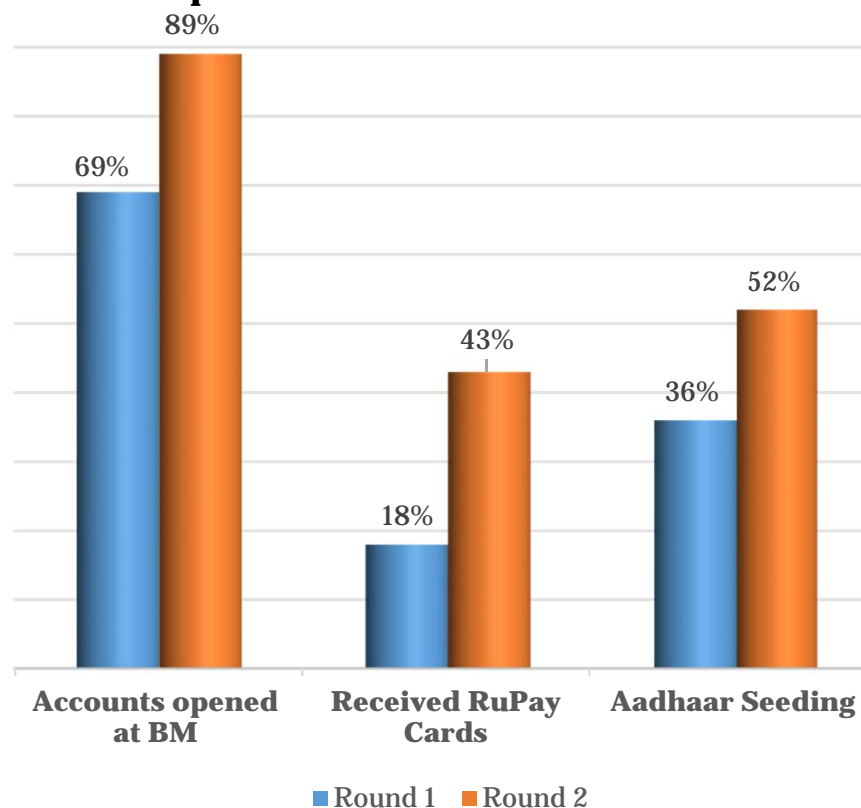
Major Findings

- ★ Despite marginal reduction in BM availability (from 89% to 84%), transaction readiness has significantly increased from 54% to 79%
- ★ Branding and therefore visibility of outlets with PMJDY and/or bank logo, has increased from 48% to 80%
- ★ Higher proportion of customers are opening PMJDY accounts at BM points, and
- ★ *Aadhaar* seeding has increased to 52%; RuPay card issuance has picked up (43% from 18% earlier)

Comparison: BM level indicators

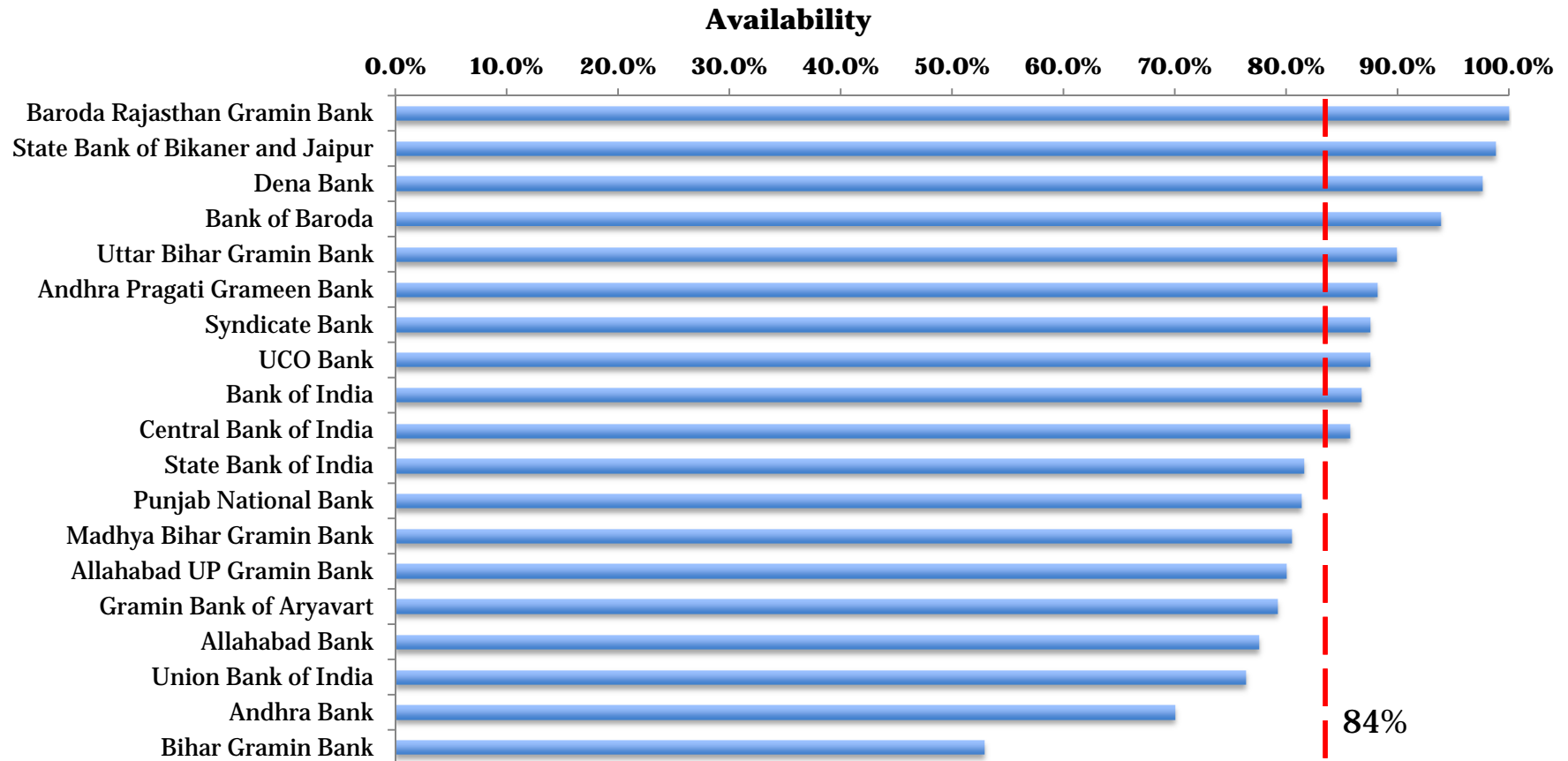


Comparison: A/C holder level indicators



BMs' indicators are for 1,424 BMs those were interviewed
A/C holders sample is 4,514

Overall availability of BMs has marginally reduced to 84% (from 89% in the earlier round). Some banks have about high proportion of missing BMs. Several of these banks actually make a high contribution to the total number of BMs and therefore slight change in the percentage of presence/absence of their BMs can make a substantial difference.

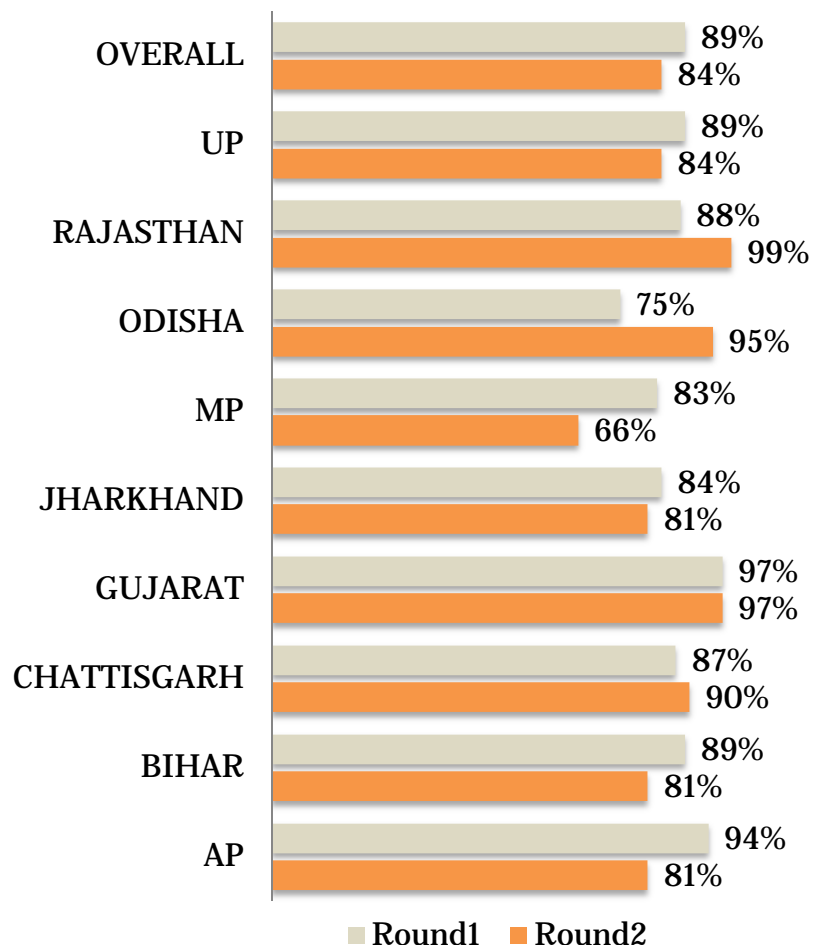


Analysis in the earlier round was done comparing the number of BMs available vis-à-vis list provided by banks. However based on the feedback to ignore the discrepancy in name of the BMs and/or their locations, and considering them available as long as there was a BM present at a location, in this round we considered the number of BMs interviewed and BMs who could not be traced. In this manner, BMs not traceable in Round 1 were 11% while in Round 2 these are 16%

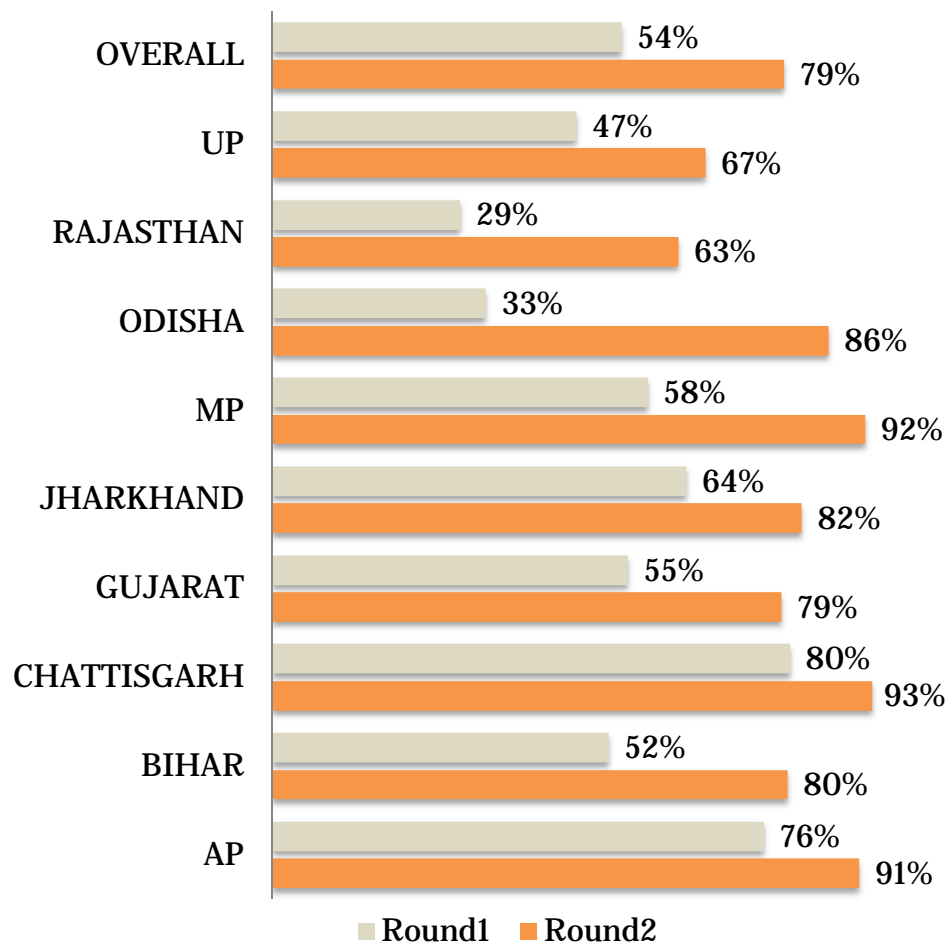
BM availability in Rajasthan and Odisha has improved significantly.

Transaction readiness has significantly improved from round-1, implying that **although the number of BMs who are available has slightly reduced, the number of BMs where customers can transact has actually increased.**

BM availability state-wise



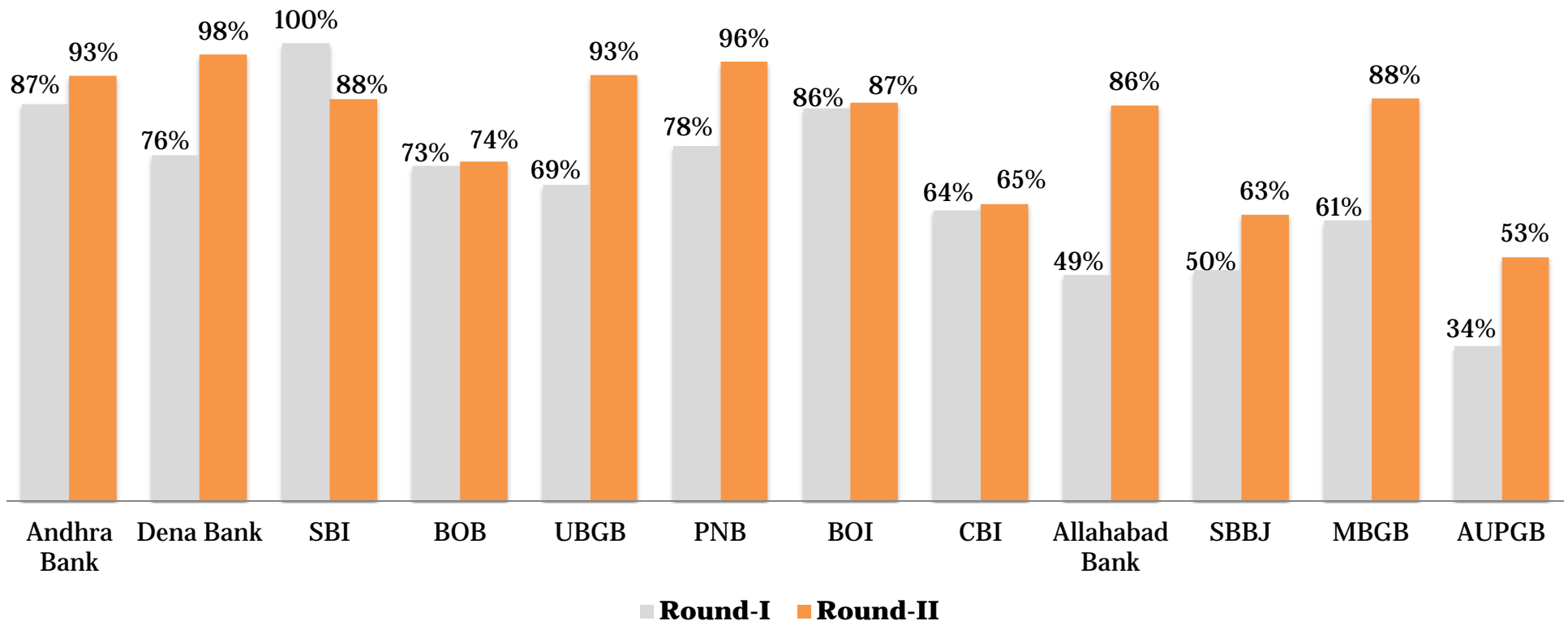
Transaction readiness state-wise



Almost all banks, except SBI, have shown improved readiness of BMs, though the level of improvement varies.

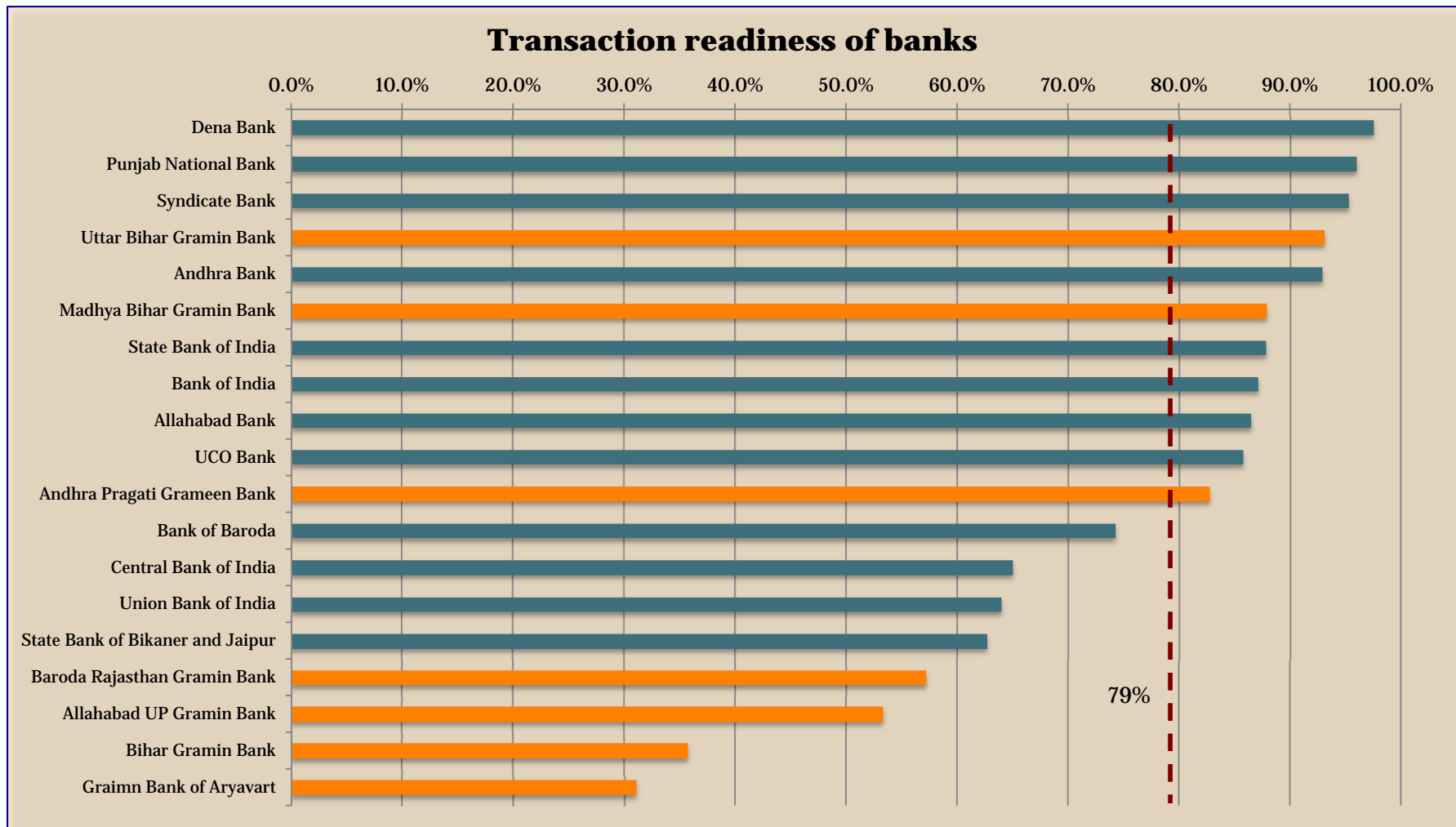
They have ensured device availability for old and newly appointed BMs, and have (in most cases) provided proper technological support to make non-operational devices functional.

Transaction readiness bank-wise



There is **no significant difference** between transaction readiness of **BM**s of large banks with national presence and that of **RRBs**.

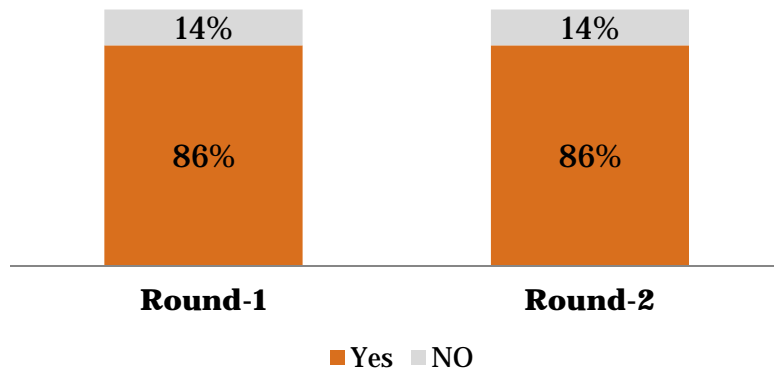
While **BM**s of a few **RRBs** are better prepared to conduct transactions compared to larger banks, other **RRBs** are at the bottom of the performance ladder.



Duplication of accounts, i.e., customers who already had an account before opening PMJDY account, **remains stable at 14%**.

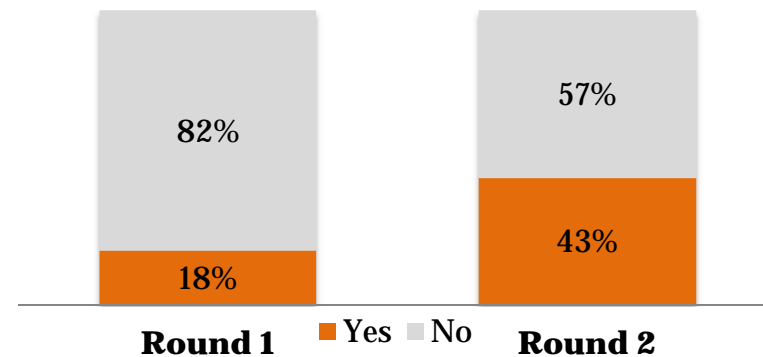
There **is significant improvement in critical operational indicators such as Rupay card distribution, Aadhaar issuance and Aadhaar seeding** which help PMJDY customers to make transaction ready.

Is PMJDY first A/c?



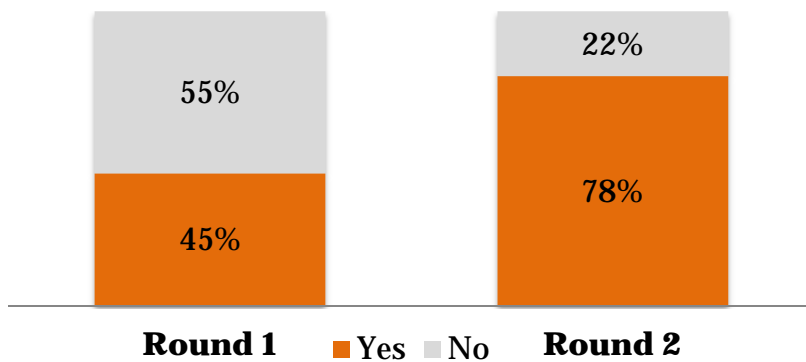
Received Rupay card?

Round 1 Vs Round 2



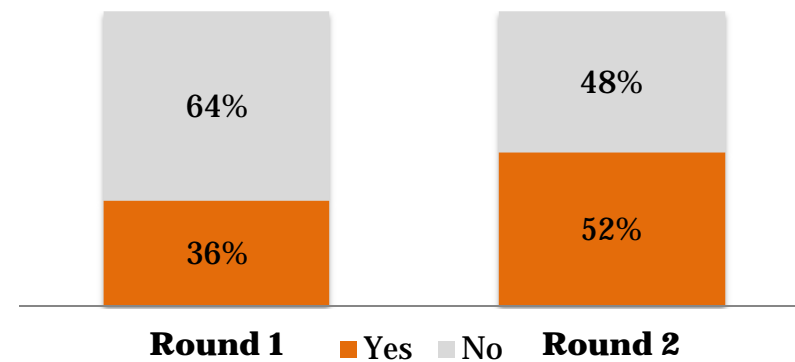
Do you have Aadhaar?

Round 1 Vs Round 2



Aadhaar linked with A/c?

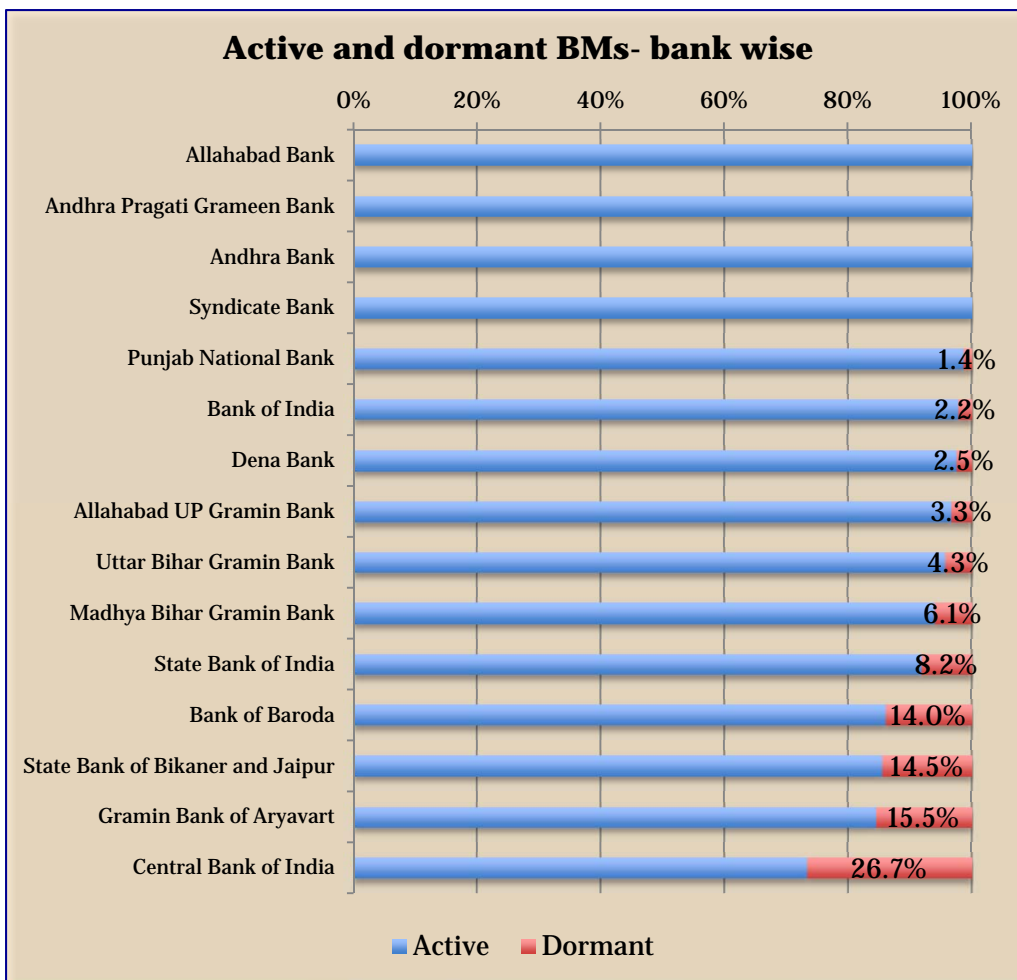
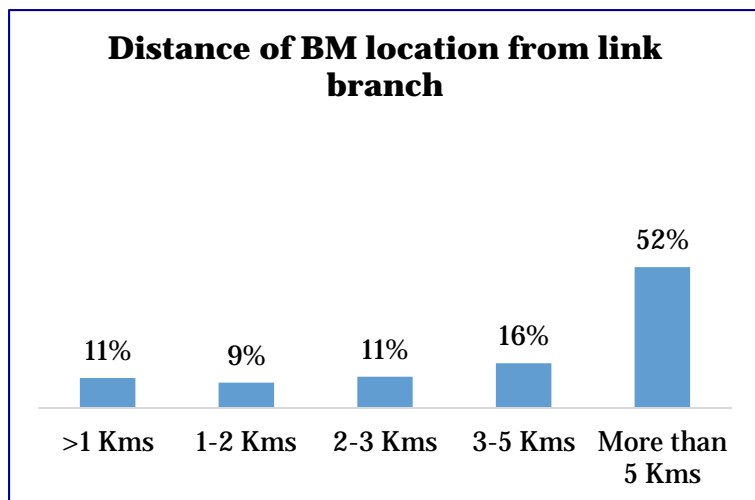
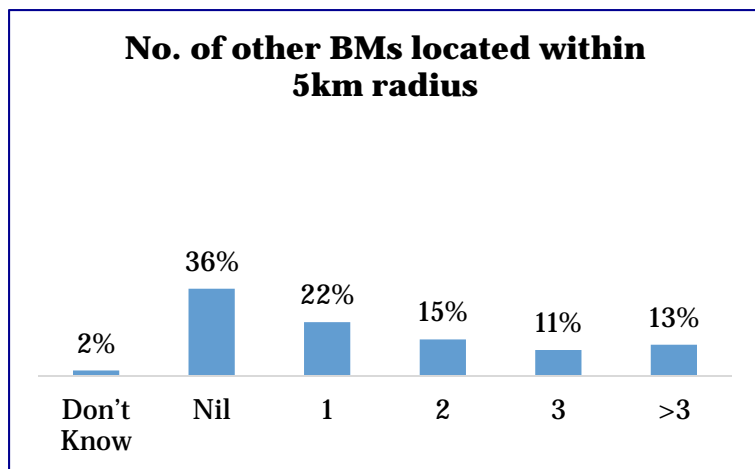
Round 1 Vs Round 2



Round I PMJDY A/c holder sample was 8,789 and Round II PMJDY A/c holders sample is 4,514

Bank Mitr dormancy has marginally reduced from 8.4% to 7.9%.¹ However few banks still have substantial proportion of dormant BMs, i.e., BMs that are traceable but not serving the customers.

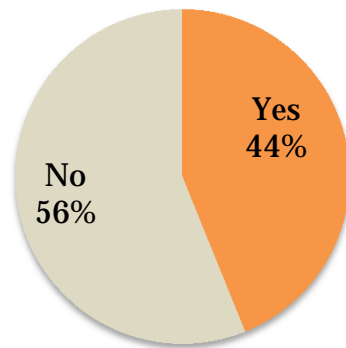
BM presence is mixed: ~64% of BMs are within 5 km of another BM; and 50% of BMs are within 5 km of a bank branch.



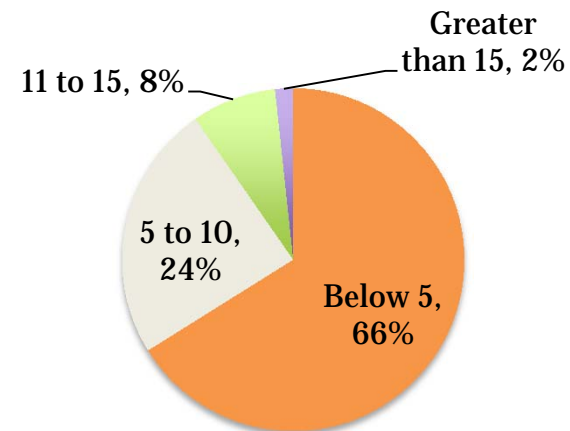
1. Dormancy levels of 8.4% and 7.9% are compared to the total sample of 2039 and 1700 for the two rounds respectively. However, if we take the number of BMs interviewed (1,812 and 1,424 for round 1 and round 2) as the base, there is no difference in dormancy levels, which comes to 9.42% for round 1 and 9.41% for round 2)

BM's density in gram panchayats is still low. **A little less than half of the BMs (44%) are working out of multiple locations** to cover customers from more than one gram panchayat.

BM working from multiple locations?
N=1,290



Number of villages covered by BMs
N=1,290



76% PMJDY account opening success rate (account opened to applications submitted) indicates a well co-ordinated effort by BMs and link bank branches



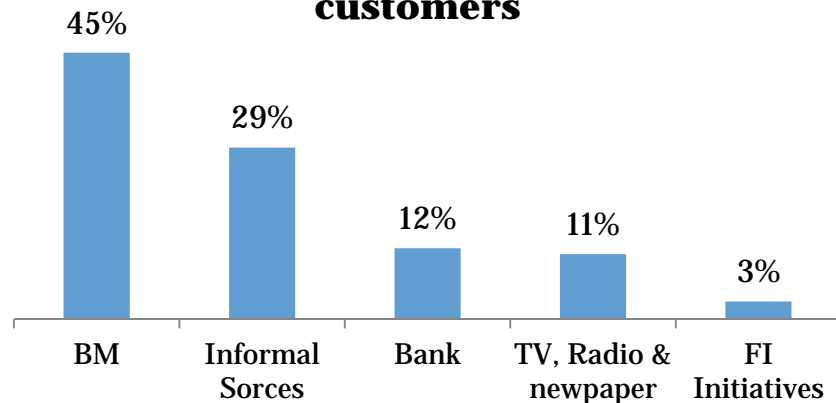
Bank Mitra

- Average BM has sourced 589 PMJDY A/c of which 448 A/c are activated
- Every 3 out of 4 PMJDY accounts submitted are activated
- Covers 5 villages on an average

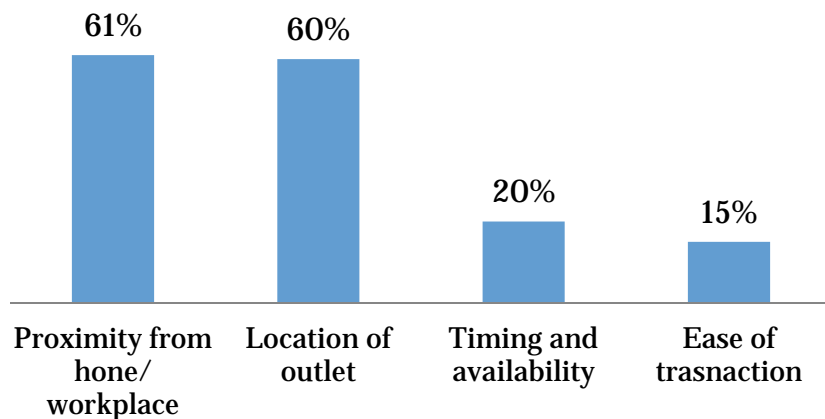
Bank Mitrs are the main source of information for customers about PMJDY and are also highly preferred point of transaction (compared to bank branch and ATM).

This preference is because of their availability – proximity/location and opening hours.

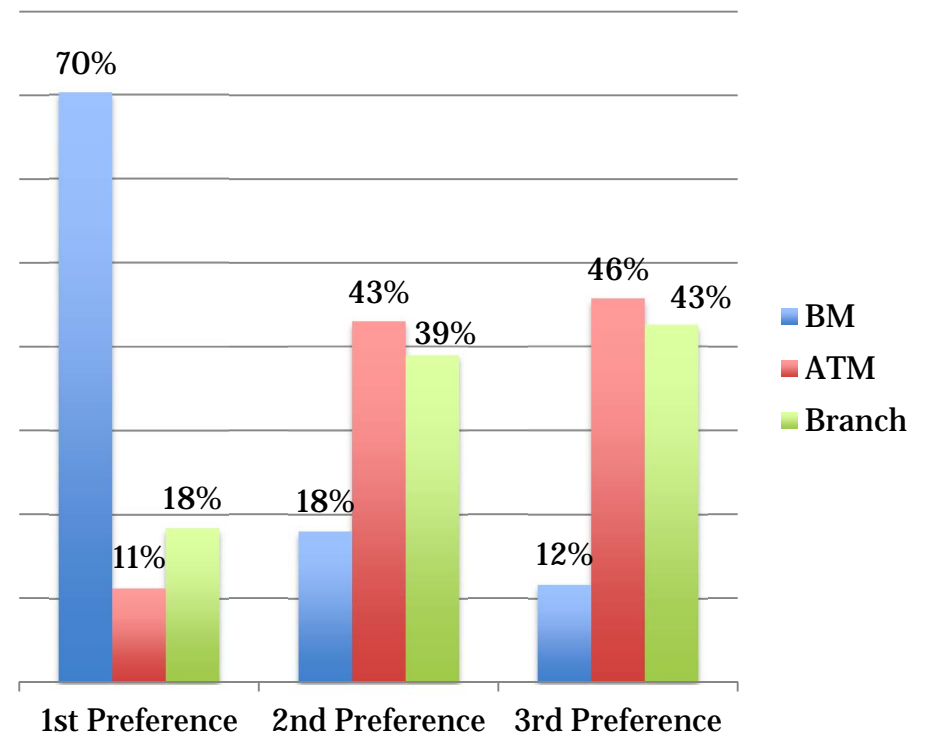
Information source of PMJDY for customers



Reasons for liking transaction with BM



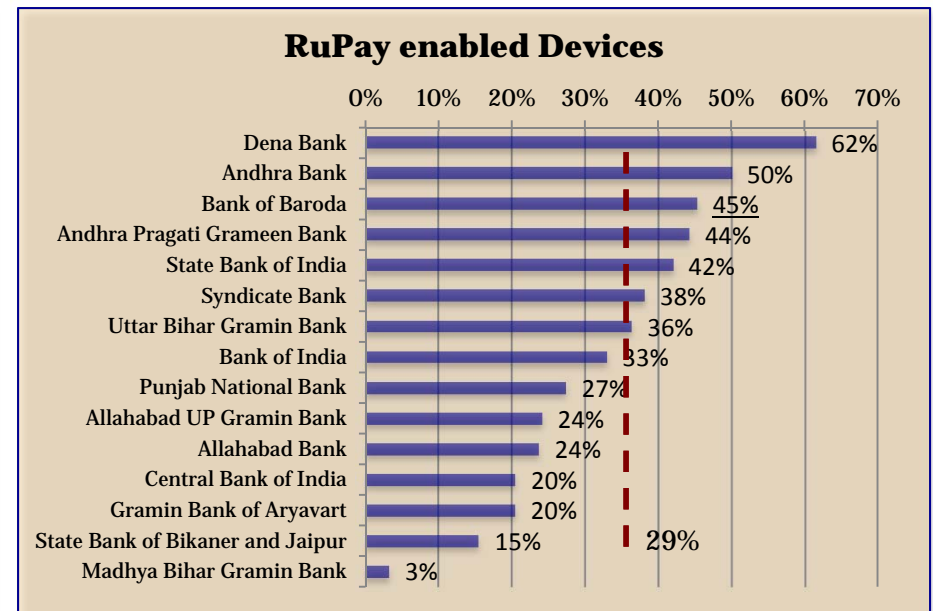
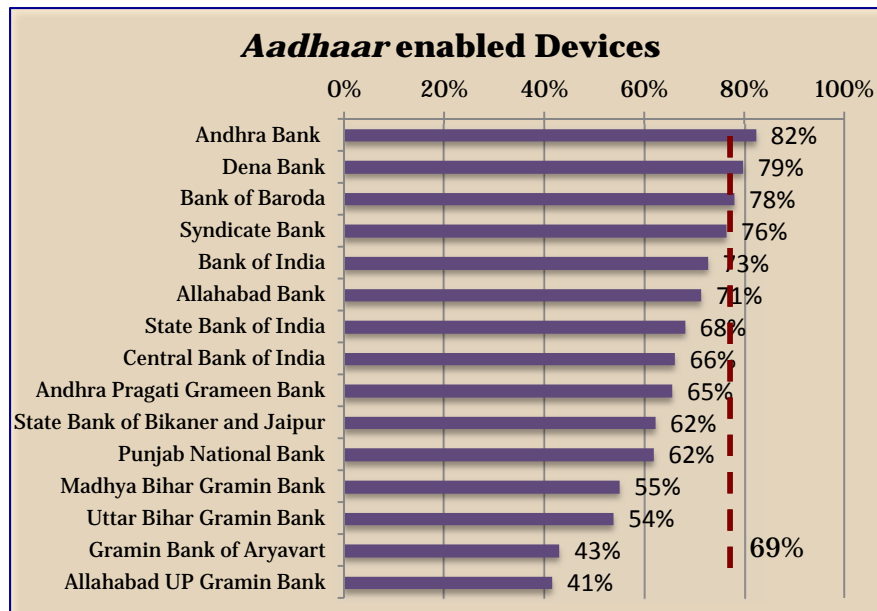
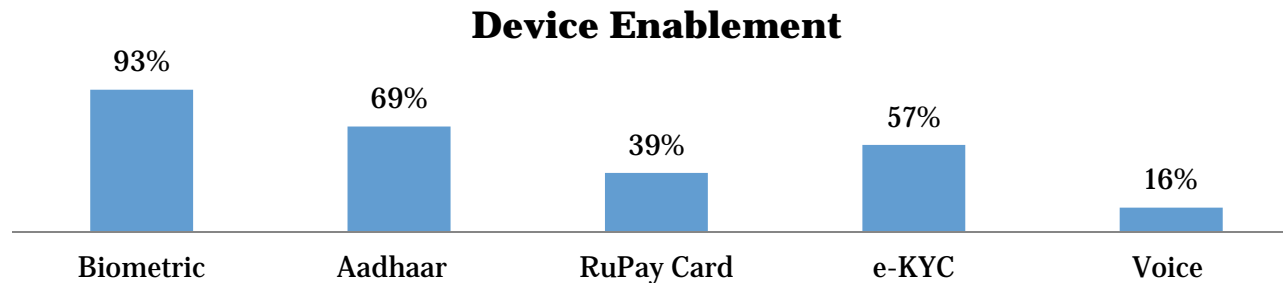
Customer choice for point of transaction



Informal sources include friends, relatives, and other local residents who were not directly responsible for dissemination of information.

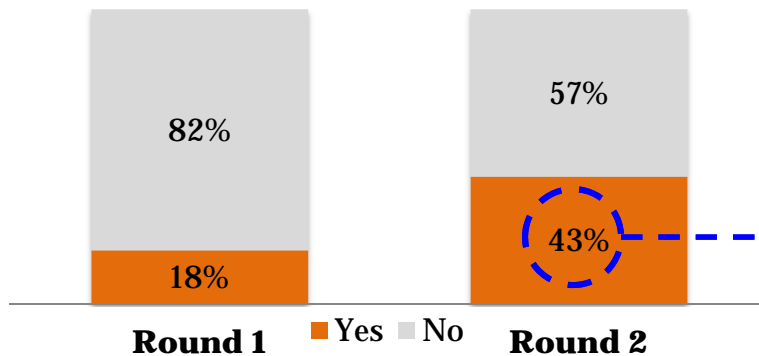
Biometric authentication using *Aadhaar* database, and payment through AEPS will take some time because only **69% of devices at Bank Mitr points are *Aadhaar* enabled.**

This will adversely impact rollout of DBT through PMJDY accounts in the immediate future. Although *RuPay* card distribution has also picked up (next slide), customers will be able to use it only at ATMs because **most devices (61%) at Bank Mitr are not *RuPay* enabled.**

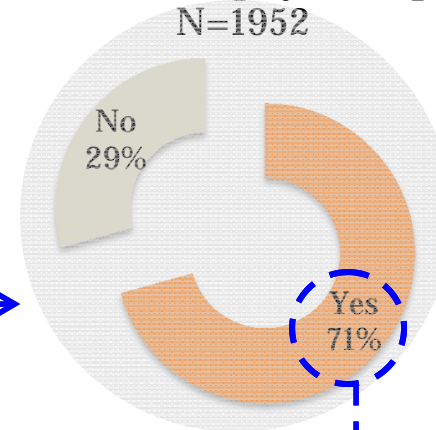


Only 27% of the total PMJDY customers are “RuPay transaction ready” i.e. able to conduct transaction with RuPay card, whereas, **only 17% of PMJDY customers surveyed ever used RuPay card.**

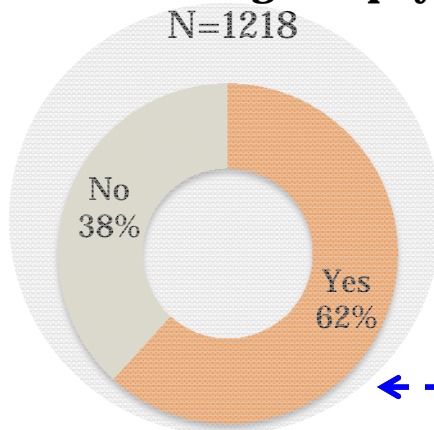
Received RuPay card?
Round 1 Vs Round 2



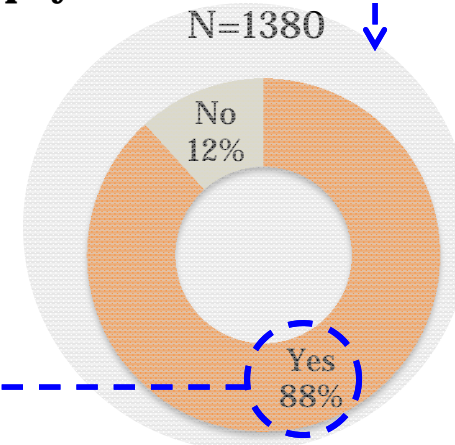
Received RuPay card pin?



Transacted through RuPay card?

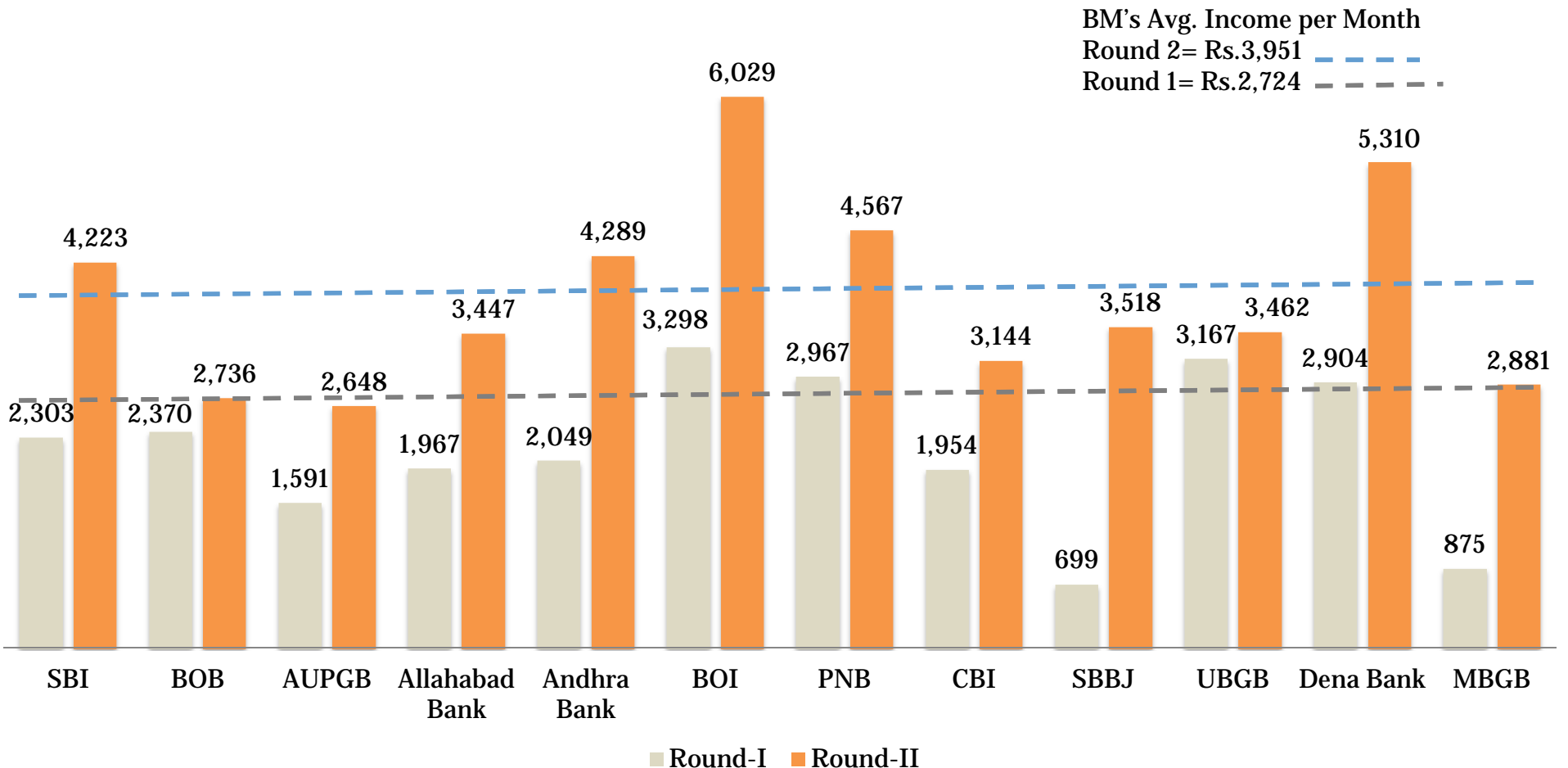


RuPay card activated/working?



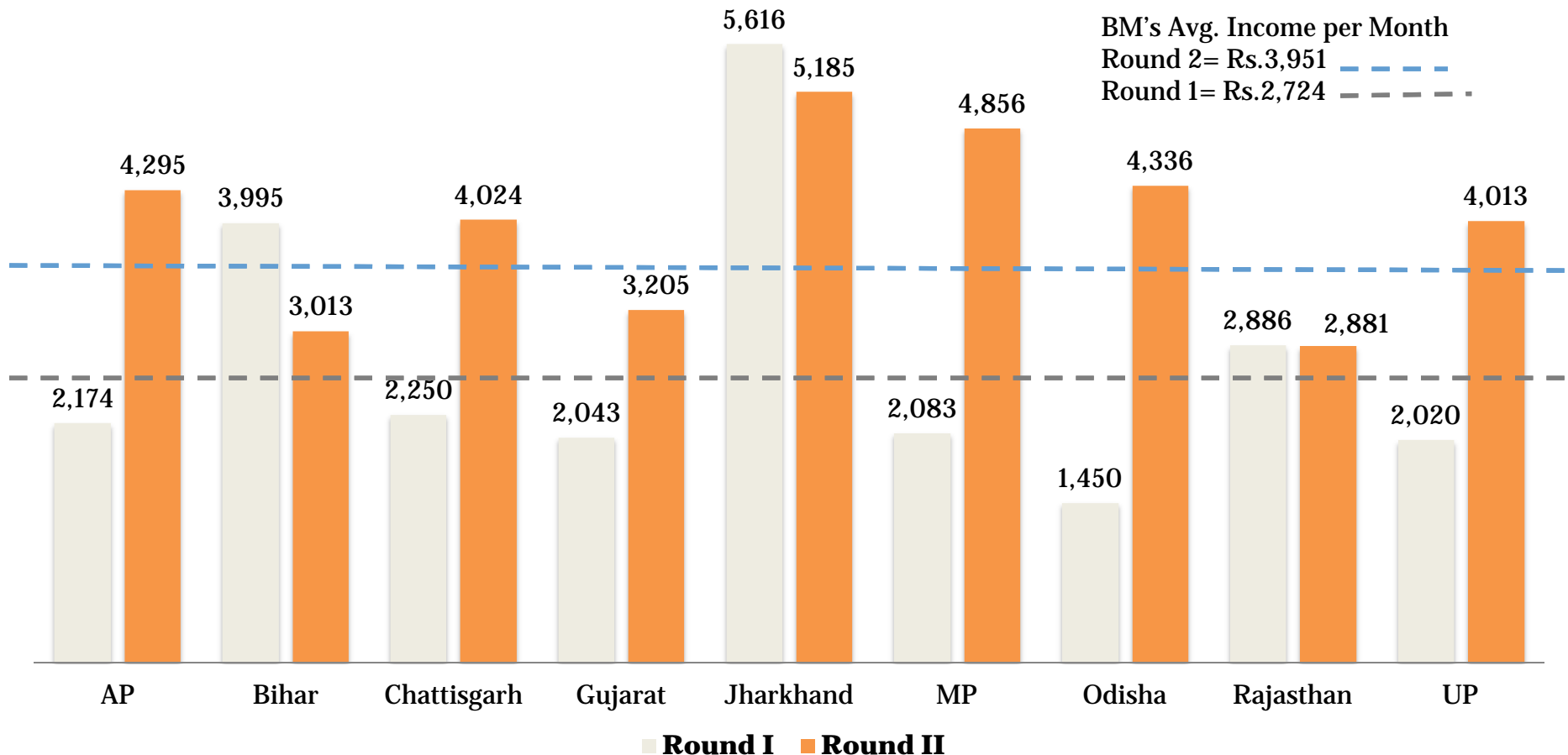
BM's across all banks are earning better average monthly income (Rs.3,951) compared to last round (Rs.2,724). Increase in average monthly transactions has added to their variable income, although this is not the only reason, and therefore not true for all banks' BMs.

Average monthly income of BMs bank-wise: Round I Vs Round II



In last six months, **average monthly income of BMs has almost doubled in states such as AP, Chattisgarh, Gujrat, MP, Odhisha and UP.** BMs earning has declined in Bihar and Jharkhand, while BMs in Rajasthan are earning almost the same amount as they were earning earlier.

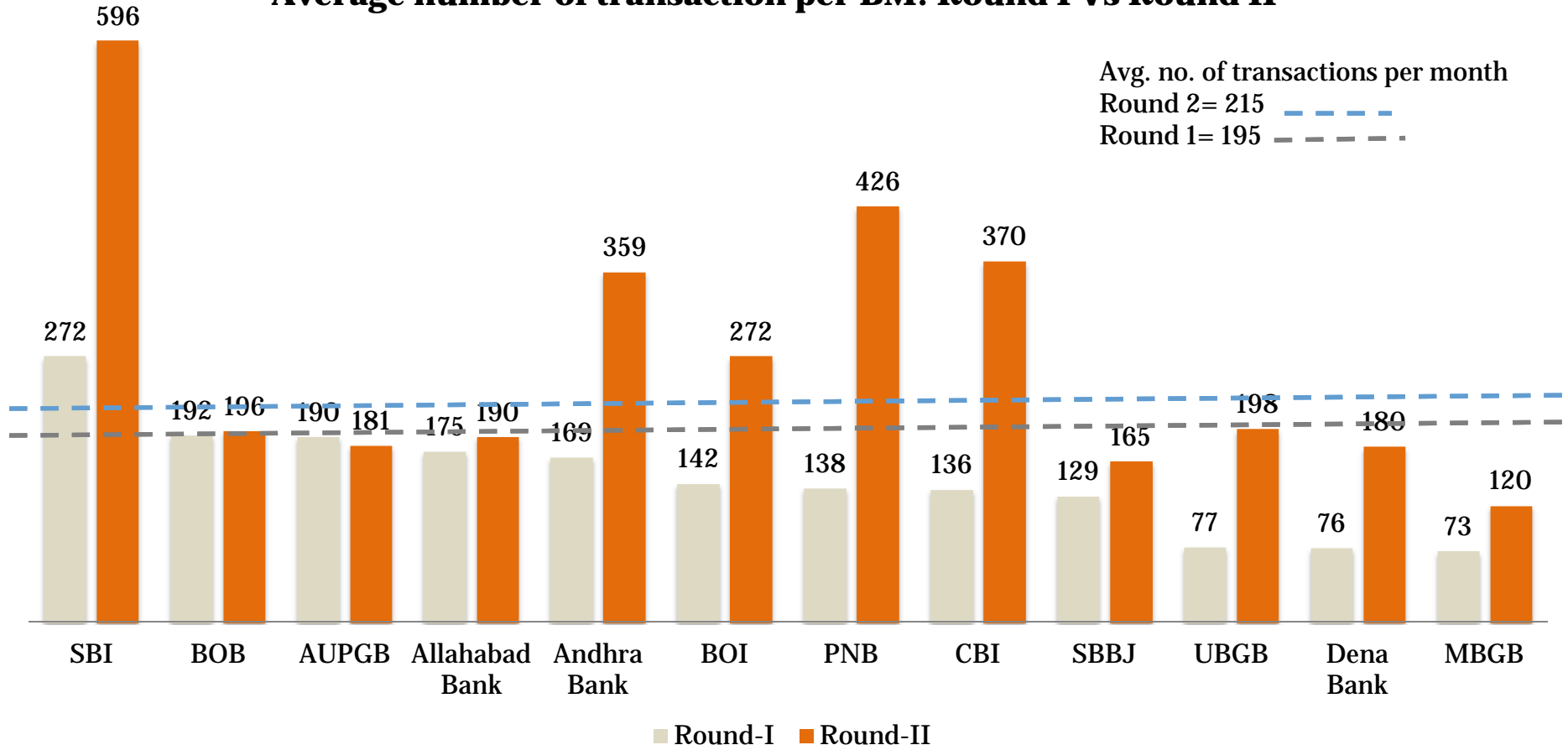
Average monthly income state-wise: Round I Vs Round II



Average number of transactions conducted by BM per month has significantly improved across all the banks.

The increase in transaction per month has been increased by per month recent enrolments conducted under three government schemes i.e. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) , Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana

Average number of transaction per BM: Round I Vs Round II

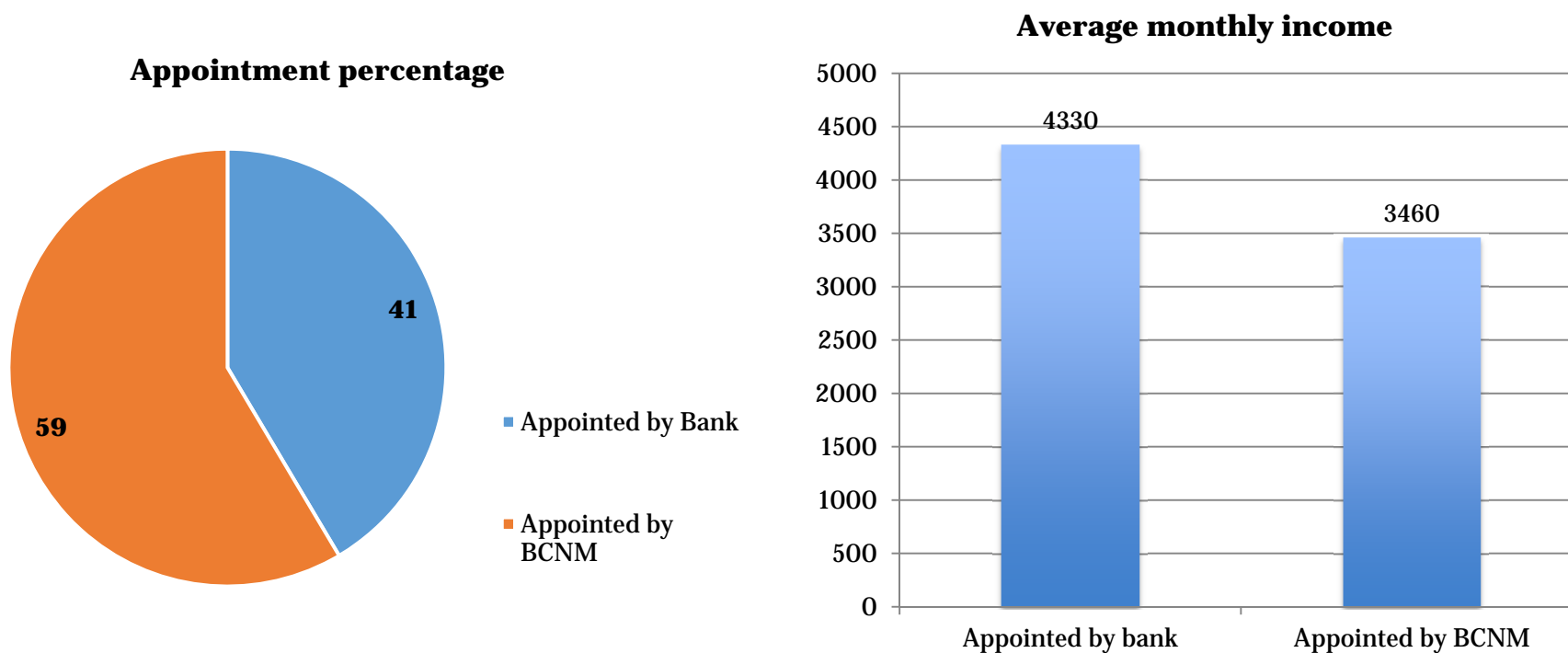


BM's are appointed by banks directly and also through Business Correspondent Network Managers (BCNMs, i.e. institutional BCs). In both cases, two models for payout exist- completely variable payout, and a mix of fixed plus variable. **No BM is paid only fixed remuneration.**

The majority of them (71%) are paid a fixed amount plus a variable commission or completely variable commission based on the business done in a month.

In general the **average monthly income (Rs.4,330) for BM's appointed directly by banks is 25% higher compared to that of BM's appointed and managed by BCNMs (Rs.3,460).**

One of the possible explanation is that the income is divided between more links in the chain, and therefore a lower amount reaches the BM's. However this point needs to be explored further.

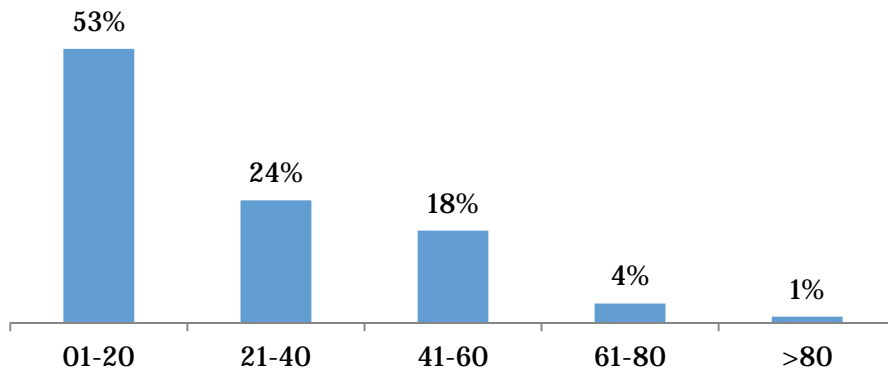


However no category (neither bank appointed, nor BCNM appointed) is earning INR 5,000/ month, which is the suggested amount under PMJDY vision document.

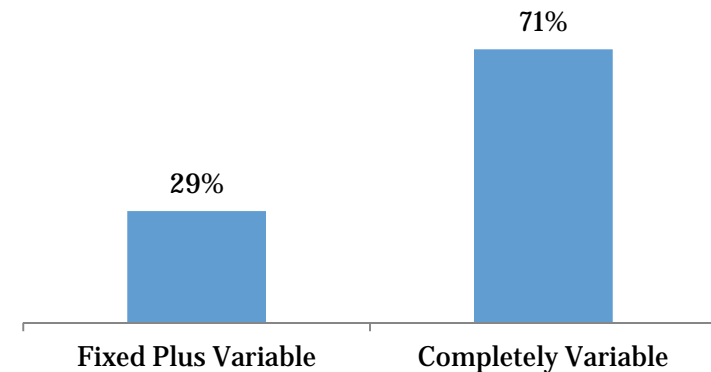
The majority (77%) of BMs are receiving less than 40 customer visits per day, and all of these may not necessarily convert to transactions. This is unsustainable in the long run. BMs believe that banks should add more products, which will increase the footfall at their outlets.

BMs' expectation from this business is almost three times of what they are currently earning .

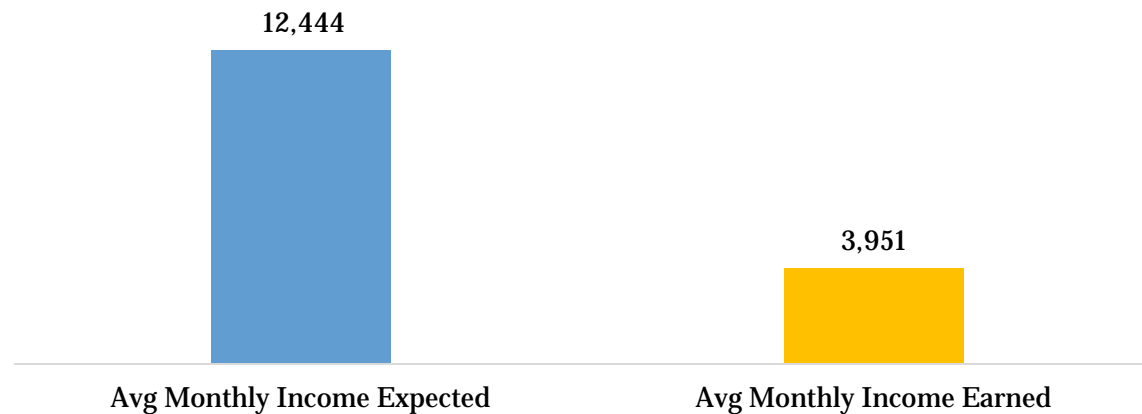
Daily customer footfall



% of BM receiving fixed payout



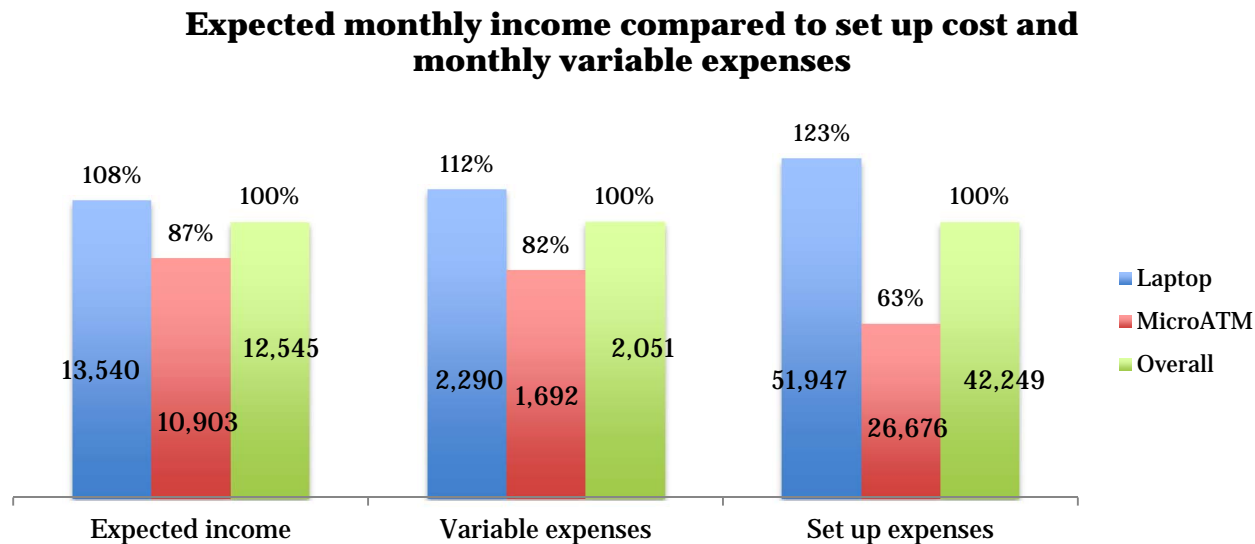
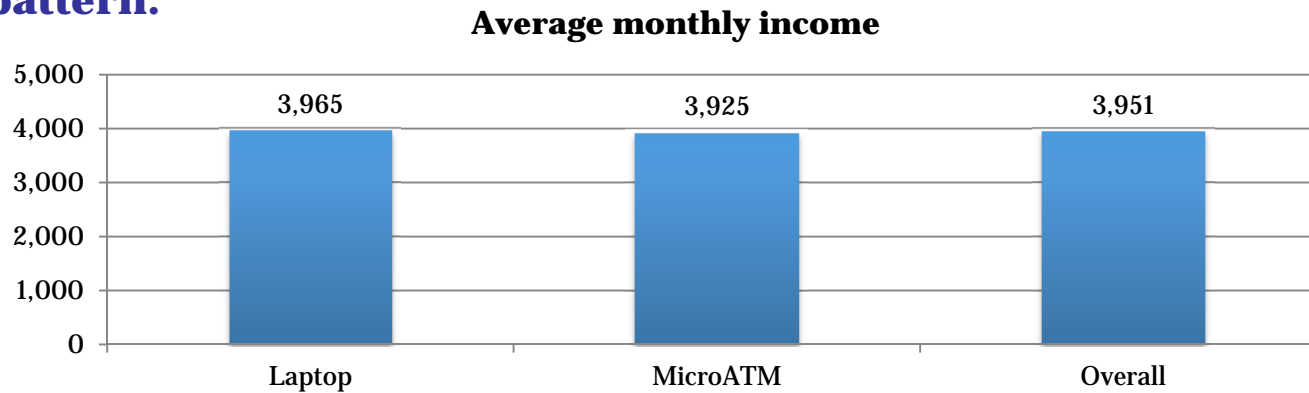
Income Expected vs Earned (in INR)



Front end technology does not seem to impact the income of the BM.

However **there is difference between the upfront set-up cost** (an average of Rs.26,676 for micro ATM and Rs.51,947 for laptop based front end), **and monthly operating cost** (an average of Rs.1,692 for micro ATM and Rs.2,290 for laptop based front end).

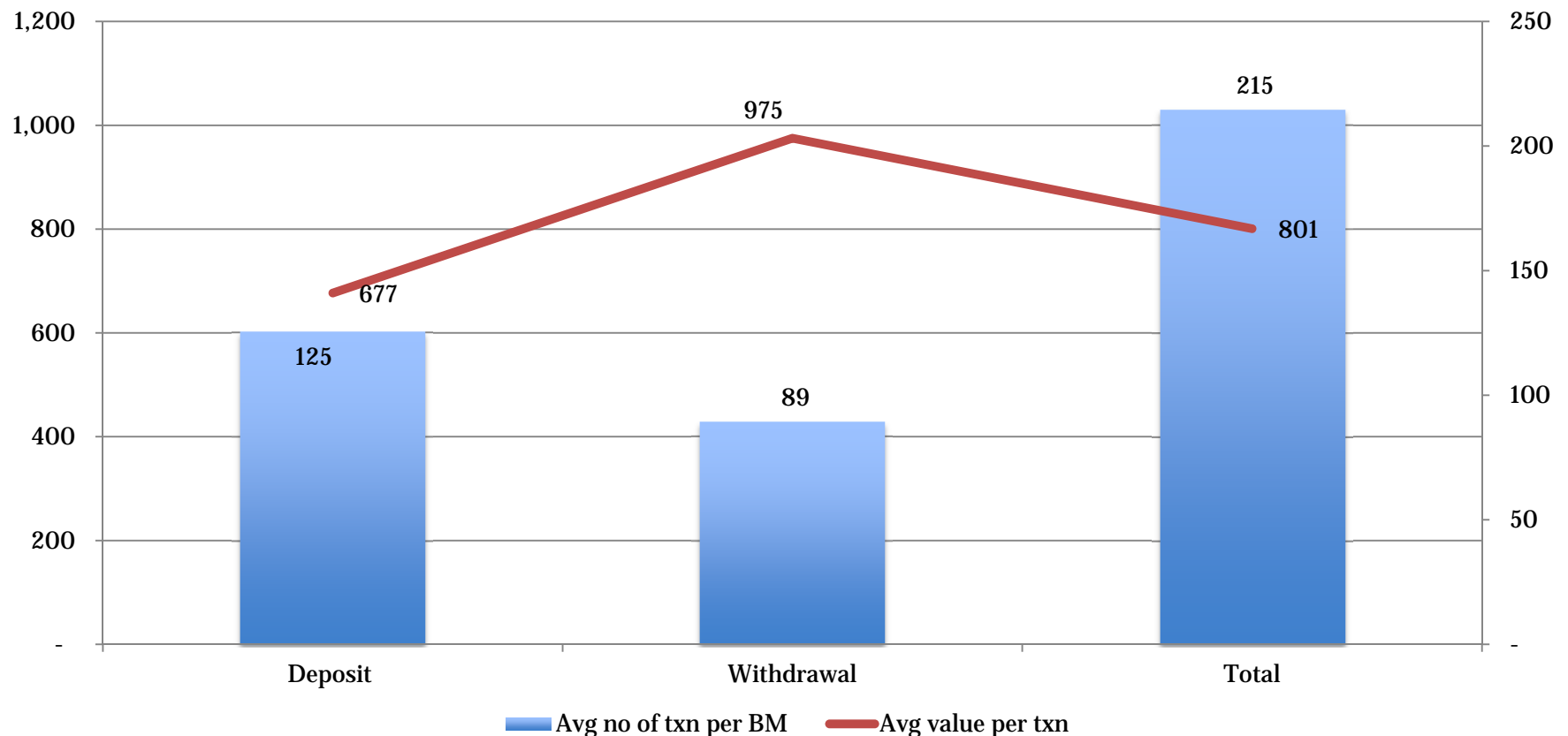
Perhaps, as a result BMs who incur more cost on set-up and on a regular basis to operate the technology, expect more returns. **Expected returns closely reflect the monthly variable expense pattern.**



In graph 2, percentages show how much expensive or cheap the two front-end technologies are compared to overall average. The figures inside the bars are actual average figures in INR.

In April-May 2015, the number of **average deposit transactions per month at BM point (125)** was more than the number of withdrawal transactions (89), however the **average value per withdrawal (Rs.975)** was higher than the average value of deposit (Rs.677).

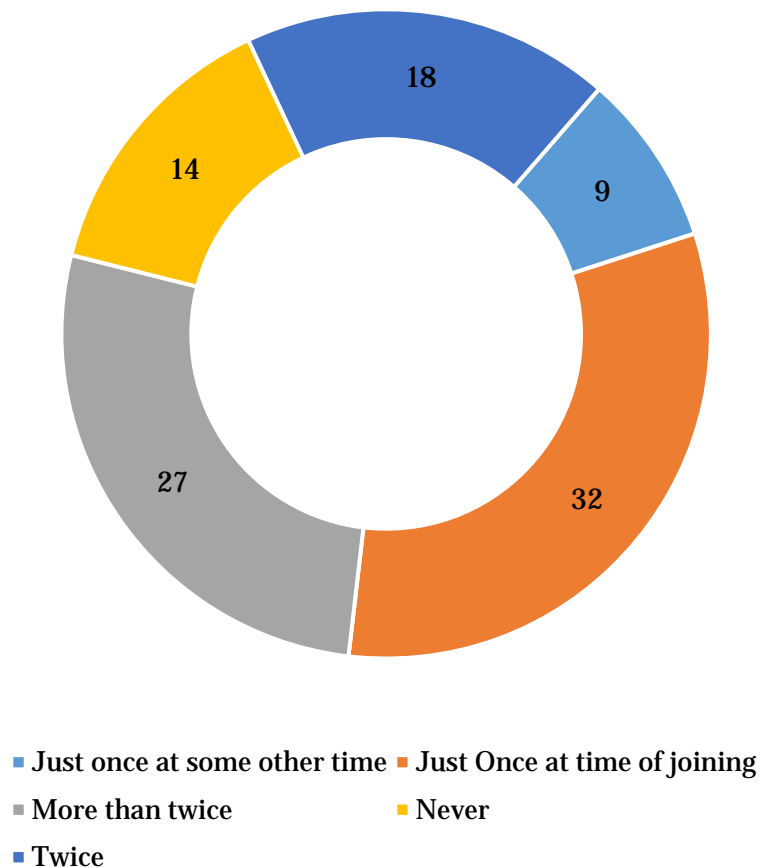
The difference is apparently due to third party deposits (remittance) and G2P payments that are withdrawn by account holders. This particular aspect needs to be tracked carefully to understand the usage of PMJDY accounts and to fine tune the communication to customers to achieve the desired results.



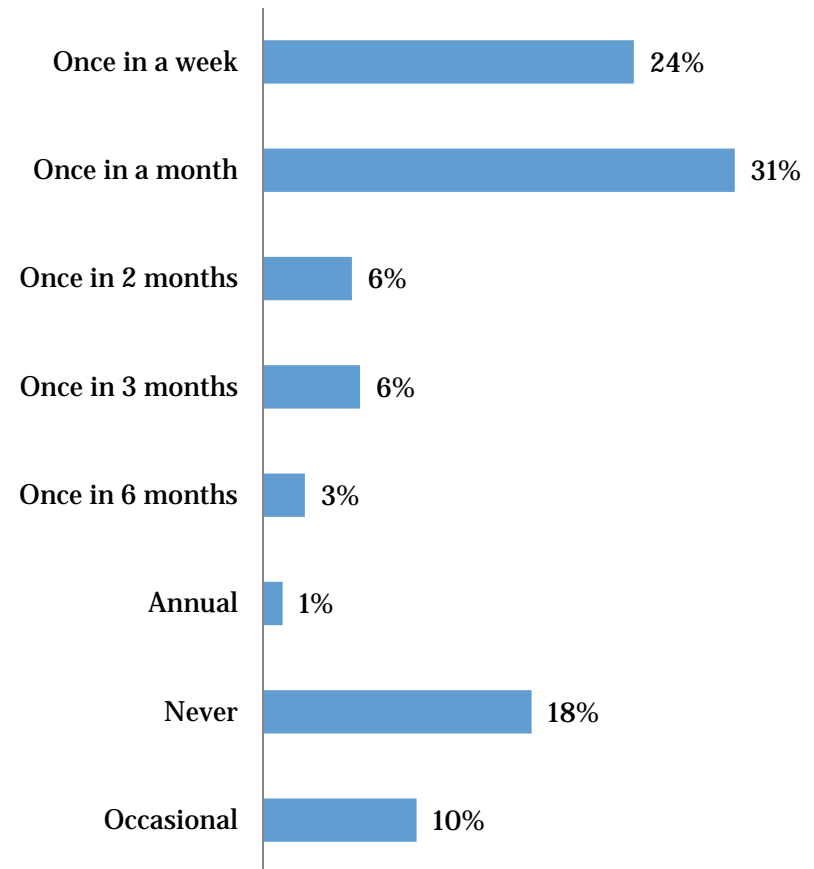
Little attention is paid towards enhancing capacity of BMs. Most bank's visits are infrequent, with large gaps between two visits. **Only 41% BMs report access to any kind of helpline.**

Training is focused only on conducting transactions and operating the devices. None of the BMs have attended any training on customer service, which could further enhance customers' preference to conduct transactions at BM points.

BM's who attended training since joining (%)



Frequency of visit by bank branch official

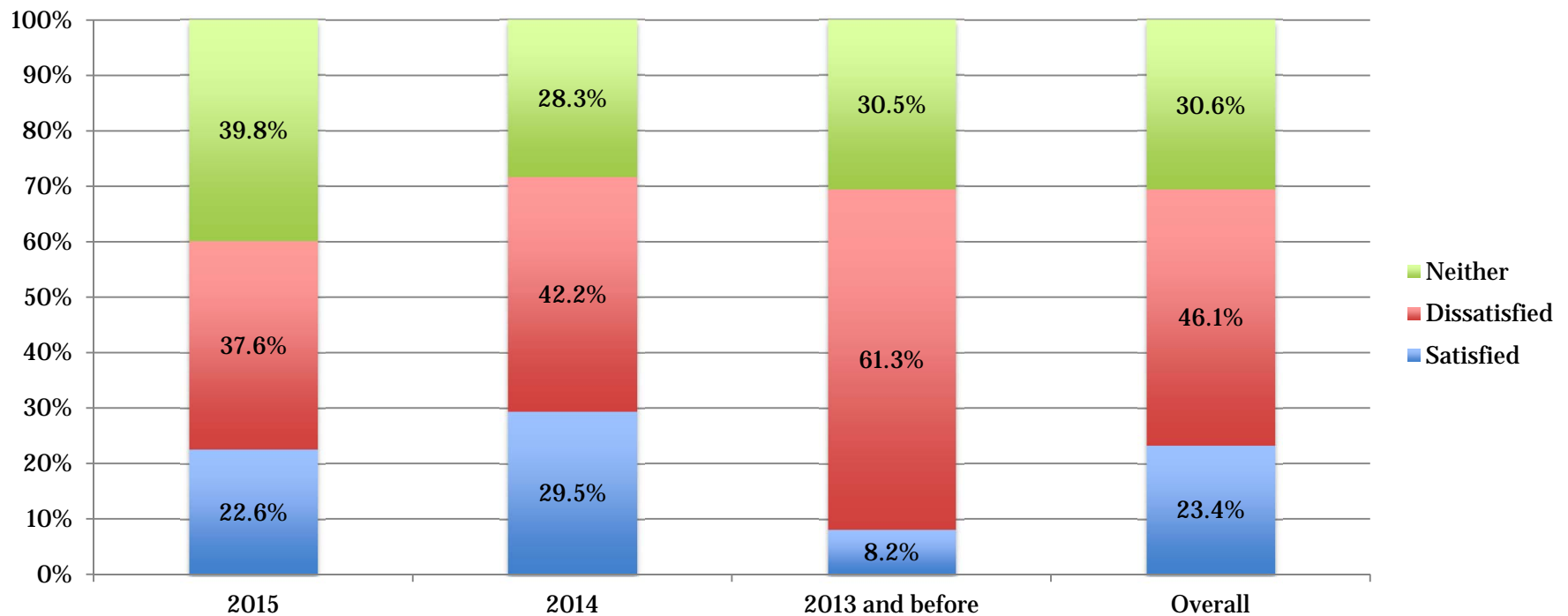


Sample is 1,290 BMs who are active

At an aggregate level, **proportion of dissatisfied BMs is almost double (46.1%) to those who are satisfied (23.4%)**. A closer look at data shows that BMs who have been appointed recently (year 2015) have a higher proportion of “undecided” category (who are neither satisfied nor dissatisfied), while others who have spent one year or more are mostly dissatisfied.

Apparently dissatisfaction is increasing with the time BMs spend as part of the delivery channel. Banks and BCNMs have a huge task to reduce the number of dissatisfied BMs. Reasons for dissatisfaction vary, and therefore **banks must start addressing issues of undecided BMs on a priority basis, followed by focusing on the dissatisfied ones to reduce dissatisfaction and churn among BMs.**

BM satisfaction level and time spent as BM



Conclusion



Conclusion (1/2)

Lack of Ownership

- Banks still do not support/ treat BM channel as part of mainstream business
- BMs are still waiting for additional products and a viable business proposition
- BM churn is high: 72.2% of BMs interviewed are only 18 months old (or less)

Weak Customer Connect

- BM training is mostly on operational aspects. He/she is not able to engage customers for additional products, and thus unable to break customers' relationships with informal/ other service providers
- Customers are not aware of banking facilities and products, and are dependent on BM for everything. Apparently, current financial literacy campaigns and other efforts have not had the desired impact.

Conclusion (2/2)

Lack of Standardisation

- Old devices have not been replaced with *Aadhaar* enabled and RuPay enabled devices
- Different banks offer different products to their customers through the BM channel. Customers do not have a choice because there is only one BM in one location and therefore customers are dependent on bank's proactiveness (or lack of it)

Absence of Business Case for BMs

- BMs are earning less than what they expect (in turn the expectations were not set right when they were appointed, otherwise they would have more realistic expectations)
- The majority of BMs are either dissatisfied or undecided. Going by the historical trend of dormancy/ churn, the probability of their continuing for long term is very low

Recommendations

Impact

#1

Aadhaar linkage for all devices to be tracked on real-time basis for better monitoring and management

Will improve the presence of BMs during working hours, and reduce the proportion of dormant BMs

#2

Develop and deploy a common standard training module for BMs

BMs need to act as “financial intermediary” guiding and educating the customers, and not just being a transaction point

Recommendations

Impact

#3

Sustained efforts by banks and BCNMs for proper monitoring and support to BMs. Visiting officials can sign in using *Aadhaar* authentication at BM point. Additionally mystery shopping can help.

Will provide much needed technical support to BMs, who are not experts in banking and financial products. Also proper monitoring will provide inputs to banks/ BCNMs to improve service levels and understand customer and BMs' needs.

#4

Ensure payment of minimum amount stipulated (Rs.5,000 per month). Roll out additional appropriate products (savings-demand and term deposits, insurance, remittance) and enhanced customer awareness to increase footfall

Will help address viability issues, reduce the gap between income expectations versus actual income, and finally will reduce the agent churn rate.

Appendix 1

Methodology, Sample and Definition of Key Terms



Methodology and Sample

Methodology

Quantitative survey

The following steps were taken to conduct the quantitative survey

1. Quantitative survey questionnaire was prepared and reviewed by experts
2. Nielsen and Kadence were appointed as survey agencies
3. Field surveys were conducted by survey agencies over a span of 15 days
4. Data cleaning and analysis was done by research experts of *MicroSave* and a detailed report was prepared

1,700 BMs and 4,514 customers were covered by the survey. The survey was conducted in all the 41 districts spread across the 9 states that were covered in the first round of survey

Sample covered

Qualitative research

The following steps were taken to conduct the qualitative research:

1. Based on quantitative survey data that was available by the first week of June'15, a qualitative research was planned.
2. A detailed questionnaire was developed to obtain: BM's feedback on infrastructure and technology, sustainability, status of banking services offered by him, efficiency of financial transactions, customer service levels, grievance redressal mechanisms and monitoring and training support given to BMs.

74 BMs were interviewed during the qualitative research.

Sampling Methodology

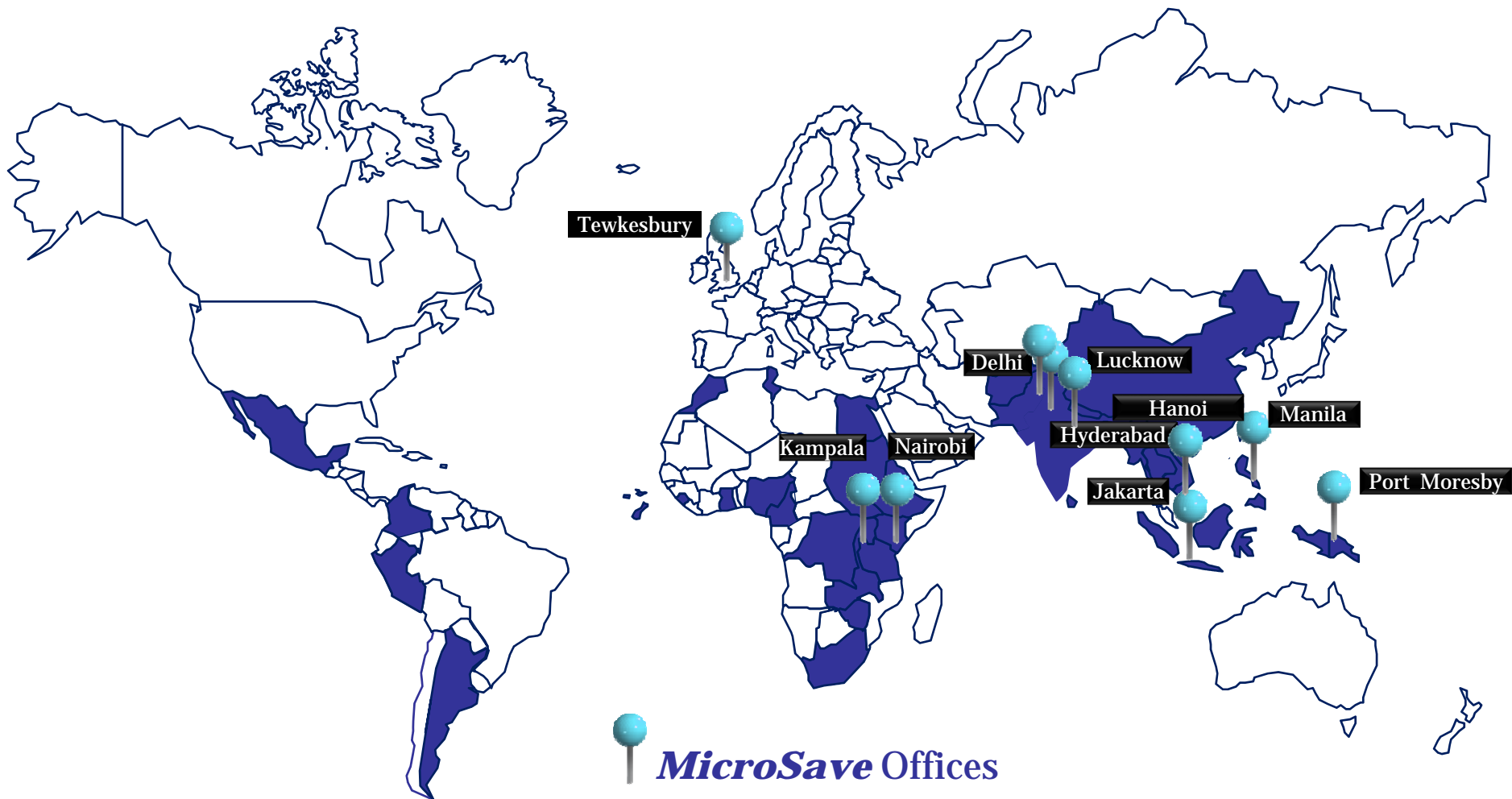
Sampling Methodology

Quantitative survey

1. A list of Bank Mitr's was downloaded from the SLBC websites of the selected states
2. Finalisation of district wise sampling frame for 41 study districts
3. Proportionate (bank-wise) allocation of sample to 41 study districts – 20 percent of the universe or 30 BMs (whichever is higher) per district
4. Identification (through snow balling) of PMJDY Account holders and interview

Qualitative research

1. 5% of the total sample was selected for qualitative research
2. Six BMs per districts were interviewed during the qualitative research.



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