MicroSave India Focus Note #114

Assessing the most ambitious public financial inclusion drive in history

An early dip-stick assessment of Bank Mitr's under Pradhan Mantri Jan Dhan Yojana

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Introduction

Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched by the Hon'ble Prime Minister of India on August 28, 2014. The goal of PMJDY is to provide all households in the country with banking facilities by January 26, 2015. PMJDY consists of six pillars:

1. Universal access to banking facilities;
2. Providing basic bank account with overdraft facility and *RuPay* Debit card to all households;
3. Financial literacy to enable use of financial products;
4. A credit guarantee fund to mitigate risks stemming from overdraft facilities extended to these accounts;
5. Microinsurance for all account holders under PMJDY;
6. Unorganised sector pension schemes such as *Swavalamban*.

Under PMJDY, all 600,000 villages across the country will be mapped to the "Service Area" of each bank, and at least one fixed point banking outlet will cater to every 1,000 to 1,500 households, known as a "Sub Service Area" (SSA). The SSAs are then serviced through a combination of bank branches and fixed point Bank Mitrs (BMs), often termed business correspondents or agents.

Context

Against this backdrop, the Department of Financial Services (DFS) in the Ministry of Finance, *MicroSave*, and the Bill & Melinda Gates Foundation designed a survey with two objectives: 1) To understand the coverage and quality of Bank Mitrs across a sample of SSAs; and 2) To understand customers' experience with PMJDY. Over the next 12 months, the survey will be repeated quarterly.

Coverage

Given time constraints and the need for real time data to enable course corrections, each quarterly wave will not cover all 664 districts. Therefore, the findings from this study should not be considered nationally representative, but rather a "dipstick" across a sample of districts. The first wave was conducted in November and December 2014 across 41 districts in 9 states. 2,039 BM locations and 8,789 beneficiaries were surveyed. Each subsequent quarterly wave will cover more states and districts.

Study design

For the quantitative part of the study, 20% of BMs/SSA locations were surveyed in each of the 41 sample districts. In addition, at least five PMJDY account holders were interviewed at each BM outlet.

BMs were assessed on several dimensions, including:

a) Availability based on the physical address and contact details provided to DFS by banks
b) Transaction-readiness
c) Branding

Table 1: Number of Districts covered under the survey

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

PMJDY customers were asked several questions about their experience with PMDJY, including:

a) Was the account opened under PMJDY your first bank account?
b) Have you received a *RuPay* card?
c) Do you have an *Aadhaar* number and is it linked to your PMJDY account?

Methodology

Every month, banks submit to DFS a report detailing the BMs they have established in each SSA. From this list, *MicroSave* and DFS then selected a sample of districts for the initial survey. *MicroSave* then used a simple random sampling technique to select BM outlets to be visited in each SSA. The assessment involved both a quantitative survey and qualitative interviews of BMs and PMJDY account holders.

Key Findings

We highlight below key findings from the Wave 1 survey (Note that Wave 1 was conducted just two months after the launch of PMJDY):

a) 69% of Bank Mitrs were physically present at the stated location. An additional 11% were working locally, but from a different location than that stated in the lists provided by banks. Therefore, 80% of BMs could be considered "available". However, it is unclear what portion of the 11% are fixed point locations (with incorrect address details) and what portion are "roaming" BMs. Note that all BMs established under PMJDY should be fixed point locations.
b) Only 48% of BMs were "transaction ready" when the BMs were visited. We define "transaction ready" as a customer being able to walk in and conduct a transaction. The 52% of BMs who were not transaction ready cited several factors, including the recentness of their appointment as a BM, lack of a transaction device, technology issues (e.g. downtime) and BM dormancy

(often due to inadequate remuneration). Interestingly, lack of liquidity was not cited as a significant issue by BMs, but this may emerge as a challenge once transaction volumes increase.

c) As mentioned, 11% of BMs were untraceable - they were not found at the address mentioned in the official list, residents did not know about them, and their contact numbers were not reachable.
d) 48% of BMs had signage of some sort displayed. The bank logo was visible at 22% of outlets and the PMJDY logo was visible at 13% of outlets.
e) BMs who were present conducted an average of 195 transactions per month (or 6 transactions per day). As a benchmark, the typical (median) agent in Kenya conducts 46 transactions per day. This low level of transaction activity raises concerns about BM willingness to continue offering the service. Moreover, only 53% of BMs have received their commission on time.
g) 86% of PMJDY account holders reported that this was their first bank account. While this number is very encouraging, we should recognize that PMJDY services (e.g. overdraft, insurance) are marketed to "first time" account holders, so PMJDY account holders have a strong incentive to report that this is their first account.
g) 45% of account holders have an *Aadhaar* number, of which 79% had linked their *Aadhaar* number with their PMJDY accounts (this linkage enables government departments to deliver government payments using the recipient's *Aadhaar* number).
h) 18% of account holders had received their *RuPay* card.

Issues at Bank Mitr's Level

BMs cited several concerns which impact their availability and service quality:

a) Low transaction volume;
b) Delay or non-receipt of commission;
c) Multiple SSAs were mapped to a single BM. As a result, some BMs were forced to split time between multiple locations, thus limiting their availability at any given location;
d) Technological issues, such as downtime, device breakdown, and connectivity;
e) Lack of training and technology support from banks and/or Business Correspondent Network Managers;
f) Delay in account activation and delivery of passbooks;
g) Lack of PMJDY branding at BMs and branches, making it difficult for customers to identify where they can open a PMJDY account; and
h) Low awareness about PMJDY amongst the target clientele.

Best Practices

We also identified several best practices:

a) Use of e-KYC for account opening, which automates the account opening process, prevents customers from having to submit multiple KYC documents, and reduces the paper processing burden for BMs;
b) Better targeting of unbanked households through effective database management by banks and local authorities. For example, the 2011 census provides data on households without a bank account. This could be used to better target households for PMJDY account opening. Similarly, some banks first conducted a village-by-village survey to set up a database of unbanked households. This minimised the risk of opening duplicate accounts.
c) Fixed monthly commission and regular monitoring by banks and BC network managers ensures high rates of BM activity and better customer service.

Recommendations for Improvement

The implementation of the scheme can be improved by:

a) Stipulating a clear process and maximum turn-around-time for paying BMs their commissions;
b) Using of a standard format for reporting BM data, such as location, address etc.;
c) Rationalising BM and SSA mapping methods to ensure BMs are not assigned multiple SSAs;
d) Establishing clear operational guidelines for BMs;
e) Conducting monthly on-site training and monitoring of BMs by banks and BCNMs;
f) Stipulating a maximum turn-around time for issuing passbooks;
g) Establishing a helpline facility for BMs and beneficiaries.

Conclusion

This Wave 1 survey was conducted just over two months after PMJDY was launched. The results show that availability of Bank Mitrs has considerably improved compared to the situation few months ago (see "The Curious Case of Missing Agents"). Similarly, banks appear to be making a genuine effort to open accounts for previously unbanked households. Banks also appear to be working to resolve the remaining barriers to the PMJDY roll-out, including branding, transaction-readiness, and proper database management by local authorities and banks to identify unbanked households.

Assuming these teething issues are properly dealt with, PMJDY is well positioned for success. Some challenges will take longer to resolve, such as the delivery of *RuPay* cards, *Aadhaar* enrolment and account mapping, and the commercial viability of overdraft and insurance services. But there is clear evidence of significant progress towards expanding account *access*.

Of course, account access alone will generate limited impact in the lives of the poor – it is account usage that matters. We will delve deeper into account quality and BM quality in future waves of this quarterly survey.

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