

Enhanced Grass-root understanding of finances

Awareness towards Digital Financial Inclusion

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Abstract— Awareness, consistent use, and skills are required to accept a new way of life. Digital Financial Inclusion will fast track the growth and poverty alleviation in India. However, behavior change is essential, the underlying factors need to be understood.

Keywords—Financial Inclusion, Behavior Change,

Introduction

While doing a study on client comfort towards adoption of technology & digitization, for greater financial inclusion in 2017, it was found that there was lack of understanding about basic financial discipline in day to day lives on the part of the women clients under micro-finances; let alone to realize the usefulness of adopting digital transactions as part of business in daily life.

The study was conducted with 3000 women clients of MFIs (with several completed loan cycles, and with bank accounts with ATM cards) spread across India. A survey was done to understand their awareness level, and capacity to use the available technology. We found that there is no significant resistance towards technology, although only 20% of them are comfortable at the time of survey. We had interviewed 145 field officers and the Senior managements of the MFIs to understand their perspective towards technology adoption and what they expect as a result of grounding such facilities.

Surprisingly, such elite class of respondents was unaware of the following facts which was essential to have financial sensibility.

These are as follows :

- Saving can be small but regular
- An expense can be planned and allocated with from the income, rather than from borrowed money
- Saving for asset building and insurance for risk mitigation that ultimately takes care of vulnerability
- Essential expenses which is part of basic needs while non-essential expenses can be limitless. These can be avoided or minimized.
- A budget is an outline of inflow and outflow of the money at disposal
- There are some life cycle needs like education which improves quality life and hence should be undertaken

- Credit history of a person is taken into account to decide credit-worthiness
- Money Laundering (PMLA) is an act which is for client protection against exploitation my money-lenders
- Joint account or Nomination should be compulsory
- Mode of savings (savings/Recurring/Fixed deposit) should be known
- Minor can also be a nominee with a guardian
- People without a job also can avail pension with certain schemes.
- ATM PIN to be kept secret
- There is a Grievance redressal mechanism : missed call to 14440

Despite the ignorance, there was no inhibition on the part of the women towards adopting digitization and related technology.

Women clients are aware of the online ordering of fashionable clothes, railway tickets and gas ordering. They can learn to use those on line tricks quickly, if handheld for the first few purchases. They think that it can upgrade their social status once learnt. This can be the first takeaways of any digital intervention aimed at the women clients. The barriers are that 'fashion' is not perceived as a positive habit amongst the women folk in rural areas even to this day.

A look at the opinion as compiled below: It was a pan India Study of 45MFIs, 145 staffs, 3000 clients

a. Reason for less cash economy for MFIs

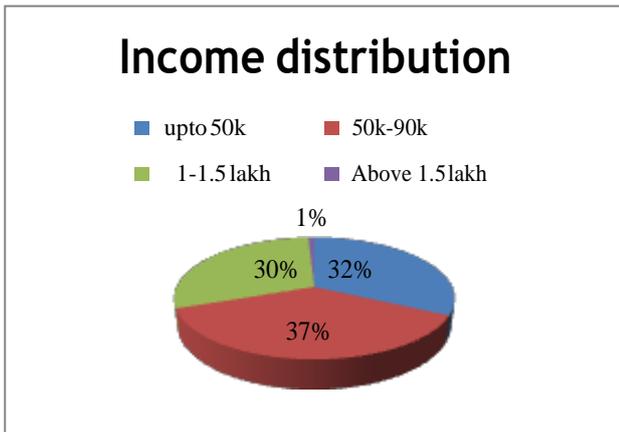
Cash handling has become expensive

- 86% of the transaction is done in cash
- 95% of the cash is used for the personal expenses in India
- 1.7% of the GDP is spent on just to print these Cash
- 3.5 million US dollars are spent on circulating the cash to all over the country.

Opportunity for digitization

- 70% of the population own a mobilephone, although majority of them own a basic phone.
- Smartphone users will grow to one third of the population by 2020. The digital footprint will grow

proportionately.



- Financial inclusion in the country has grown significantly due to initiatives like the Pradhan Mantri Jan Dhan Yojana (PMJDY); which is integrated with social security schemes, insurance schemes and direct benefit transfer

b. Challenges of MFIs towards repetitive sessions of financial literacy along with technology adoption :-

Fig 1 : Experience & Challenges of Digitization & adoption of technology

Envisioned Service	Challenges perceived
<ul style="list-style-type: none"> Customer acquisition Customer service Brand management Risk & Credit Accounts & Loans KYC & on-boarding 	<ul style="list-style-type: none"> Monitoring Cashless disbursement & collection –signature mismatch/ no balance Loan management software Training & Maintenance Staff training in different language Investment in HRMS software for staff performance tracking Connectivity High cost of technology High attrition rate of trained staff

Client profile

AGE GROUP OF 26-50 YEARS IS THE MOST PROACTIVE GROUP

- Clients with 7 plus years of children are the most active (26-40 yrs of age)
- The initial clients of Micro finance are now in the 41-50 yrs category who are the next dominant group
- Clients above 50 yrs of age are a significant group in North-East.
- Clients of 18-25 yrs of age are gaining grounds in

South and East. This means the unwed girls and newly wed girls are the next dominant category. If so, they are lagging behind in other zones

- It also is interesting that most of the financially included clients have 3 or more children

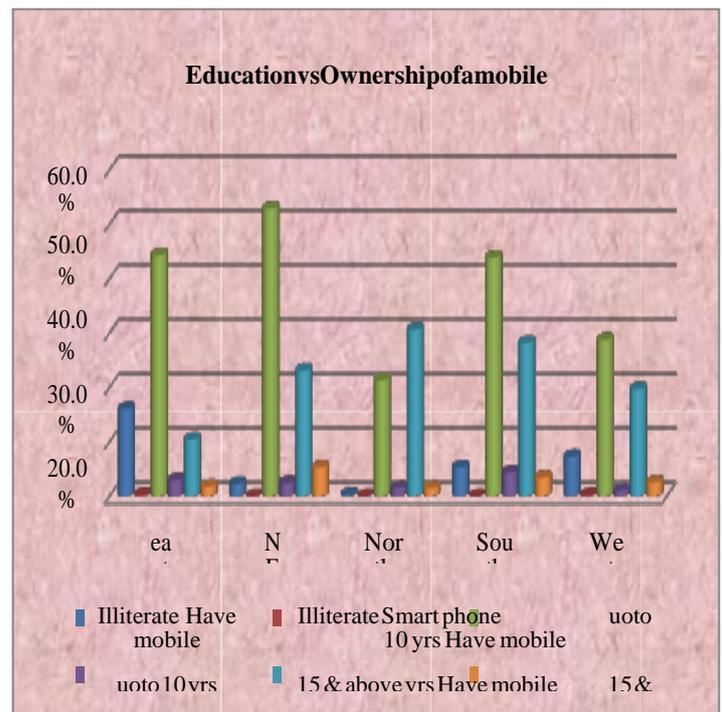
URBAN AND SEMI-URBAN CLIENTS OUTWEIGH THE RURAL CLIENTS

- For at least every 2 customers in urban and semi-urban area, there is just one client in rural area => MFIs are not reaching the remotely placed rural clients enough
- Since connectivity is an issue, spending in client acquisition aspect of digitization may be considered a wastage.

Average Educational qualification of is 7-10 years of schooling.

Fig 2 : Education level versus ownership of a mobile

The myth that the more educated own mobile and smart phone is not true.

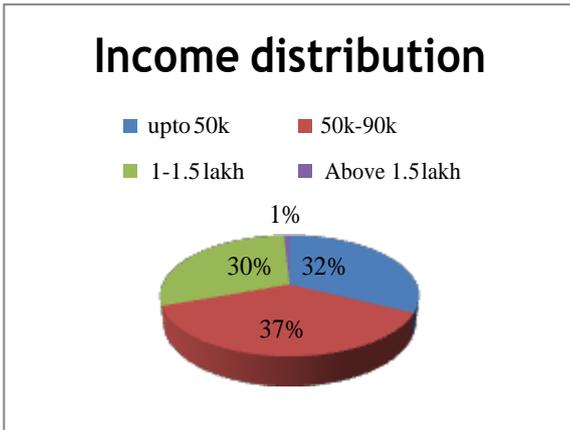


The extent of use of smart phone by illiterate is less than the highly educated. But the moderately educated outweigh the highly educated in smart phone ownership and use.

The smart phone ownership is quite low, but it is distributed. The smart phone ownership is quite low, but it is distributed irrespective of education level; this is a good indicator for client training on digitization as

education does not play a role, but functional literacy does.

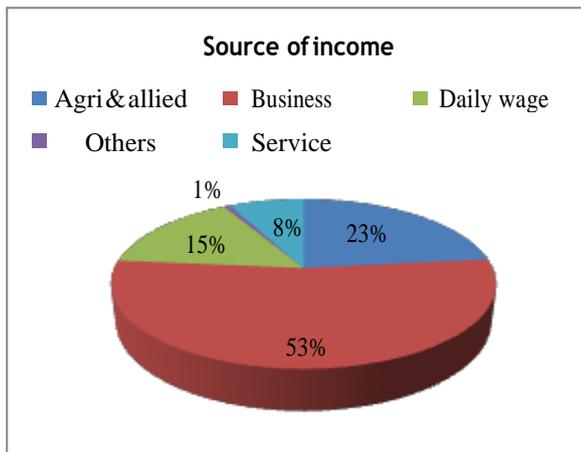
Fig 3 : Income level distribution of the clients



Majority of the clients are in the upper income brackets
Barring the West zone, all other zones have the above 50k Income bracket appear to be stable.

Smart phone ownership is across all income range and all occupation. The market scenario for the chosen occupation is significant for adopting digitization in quick time.

Fig 4 : Source of income (Occupation)



two prominent occupations.

- Daily wage is a significant occupation in West Zone while it is non-existent in North East.

SHOCKS ARE CAUSING VULNERABILITY LEADING TO INCOME FLUCTUATION.

A VERY SMALL PORTION IS ABOVE RS. 1.5 LAKH INCOME CATEGORY. THIS LEADS US TO WONDER AS TO WHY IS IT SO DIFFICULT TO CLIMB INTO THIS CATEGORY.

Gender disparity can be immediately handled with the help of digitization; wherein learning is easier ; thereby bringing in synergy required for further growth

The major two sources of income is Agri & Allied activities and also petty business, both of which are prone to emergencies and unforeseen circumstances. This explains the stagnation at below Rs. 1.5 lakhs income bracket.

98% of the clients are financially included.

90% have Aadhaar linked accounts

They have Jan Dhan accounts which integrate savings, insurance, direct benefit transfers (Pahal schemes for LPG gas subsidy transfer) and availing of other social security schemes,

The clients above 50 yrs of age hardly have a bank account. **(Excluded)**

Clients belonging to the 18-25 yrs lead the pack. Even illiterate clients have bank account.

Understandably, the urban clients are fractionally ahead in holding a bank account.

It is surprising to see that people with more children figure highly towards having a bank account.

Fig 5 : Income outline from various sources



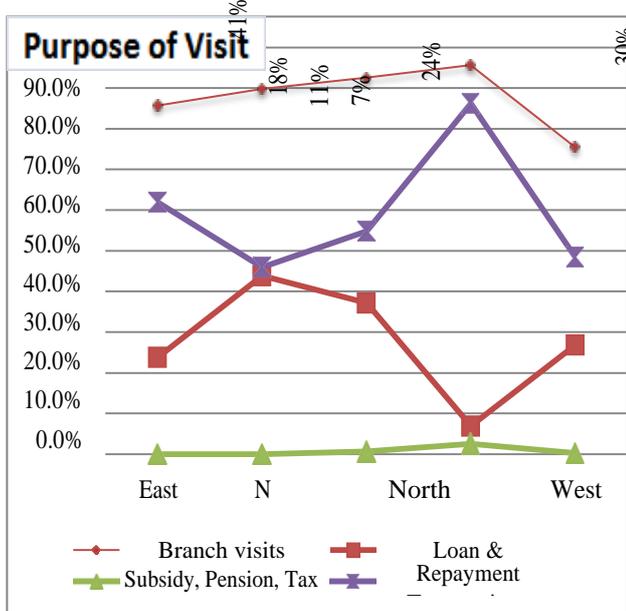
- Agri

■ upto 50k ■ 50-99k ■ 1-1.5 lakh ■ above 1.5 lakh

bank

The people in daily wage have lesser proportion of bank account holding. Pension holders, rent property holders (who have been categorized as 'others') have 100% account holding, and obviously.

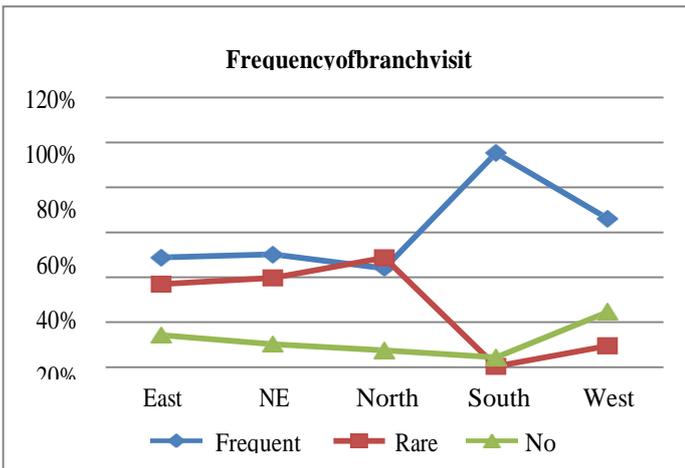
Fig 6 : Zone wise various purposes of visit to a bank branch



90% clients report to have visited branches

Purpose: to avail subsidy and pension, pay taxes (Land taxes too)

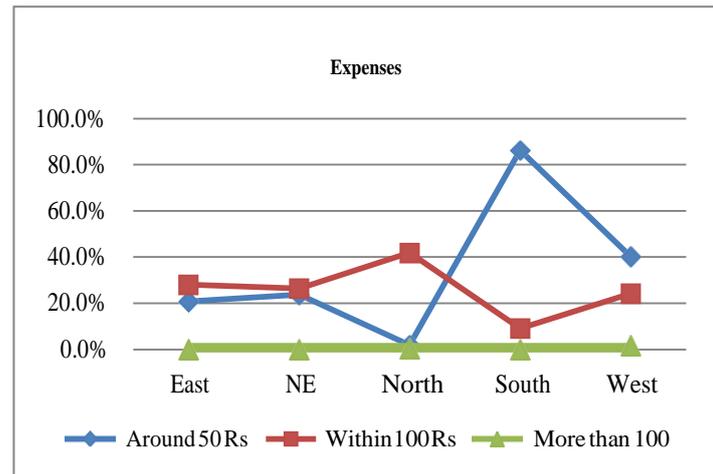
Fig 7 : Zone wise frequency of visit to a bank branch



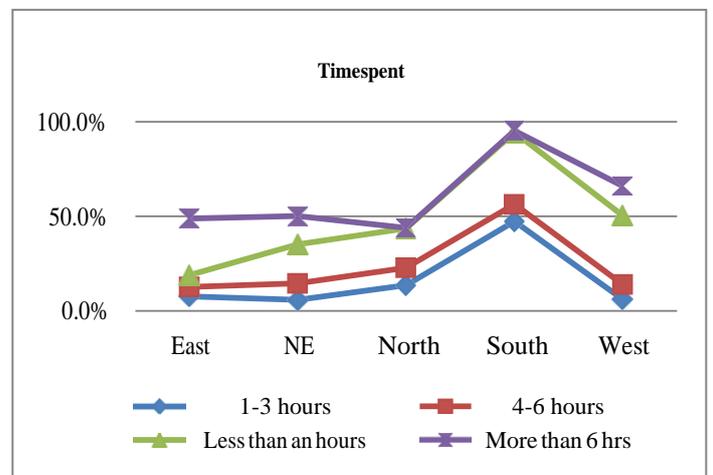
- 68% visit the branch for normal transactions (*frequent visitors*)
- 22% visit the branch for Loan & Repayment; South zone reporting the lowest

Fig 8a : Zone wise Time spent in visiting a bank branch

Fig 8b : Expenses per visit to the Bank Branch

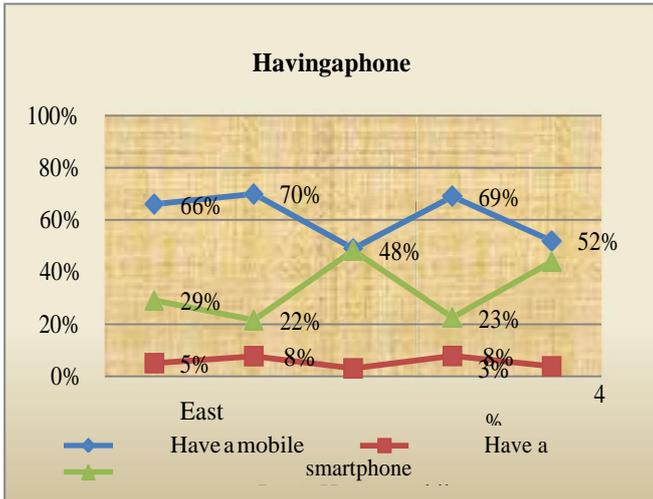


Women Empowerment can lead more active participation in economy



- More than 50% of members had feature phone and less than 5% had smart phone.
- Phone ownership spans to every kinds of occupation in different extent.

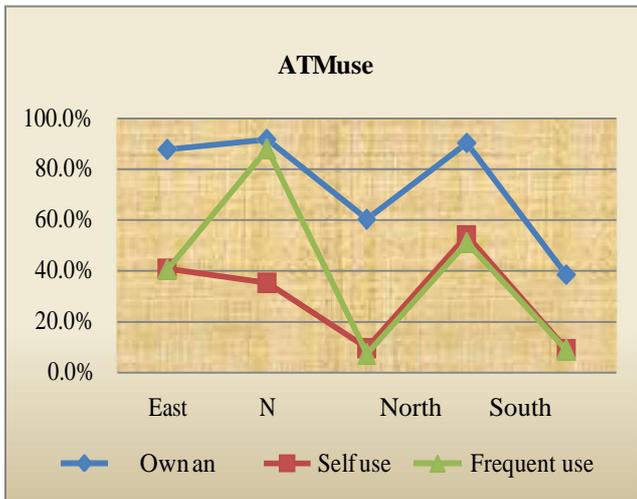
Fig 9 : Zone wise mobile ownership



70% clients have a phone either a feature phone or a mobile phone.

Only 5% have a smart phone.

Fig10 : Zone wise ATM card use by self

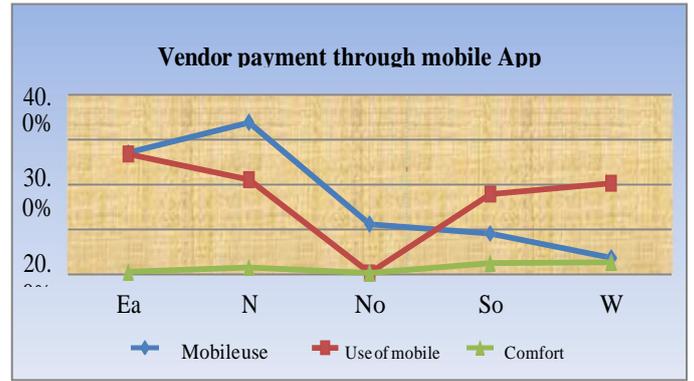


More than 77% of clients have their own ATM card and more than 36% are using the cards themselves.

Frequency of use comes down to half when it comes to self use.

80% clients receiving disbursement through NEFT, repayment still through cash

Fig 11 : Client awareness of vendor payment through mobile app

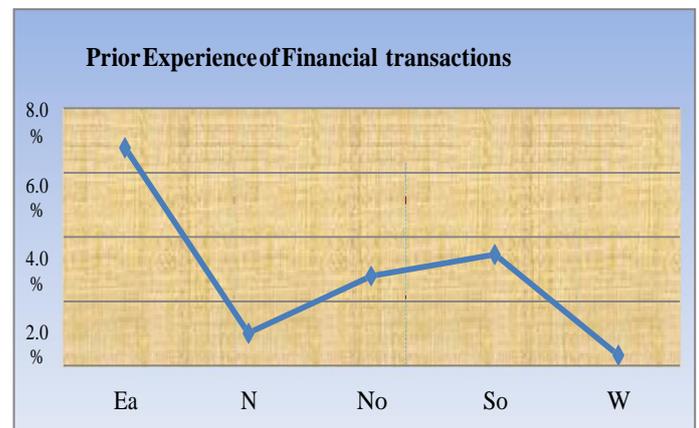


MFI Clients said that, they had seen advertisements on digital payments in TV and newspapers. For most clients, Digital payments means using ATM Cards/Phone for paying. They were not aware of process, but they know that through Cards/Mobile payment can be made.

Less than 10% of clients were doing transaction in digital mode with vendors (They need to be in urban areas to be able to do so).

- Less than 5% clients have done banking transactions through mobile. They had mostly used internet/mobile banking.
- 51% of clients that they would have better repayment planning, saving and government schemes, livelihood options and choices; if financial education could have been accessed through mobile/laptop applications

Fig 12 : Prior experience of financial transactions using a mobile app



53% of the clients, say that digital payments save time. North zone is surprisingly low despite the high education. 'Above 50 yrs' who hardly have a bank account are the highest, and the most active age group is the lowest. Maybe the 26-40 yrs age group is weary of the digital frauds more.

Rural clients outweigh the urban clients, but semi-urban clients lag behind significantly

The more the income, the more is the positive perception. But clients over 1.5 lakh category is a shade low in confidence than their lower counterparts. This may be the explaining the 'stagnation point' because of the existing constraint in available technological support.

93% of illiterate clients are positive, which is a contrast to our understanding.

We expected the business category to be more positive.

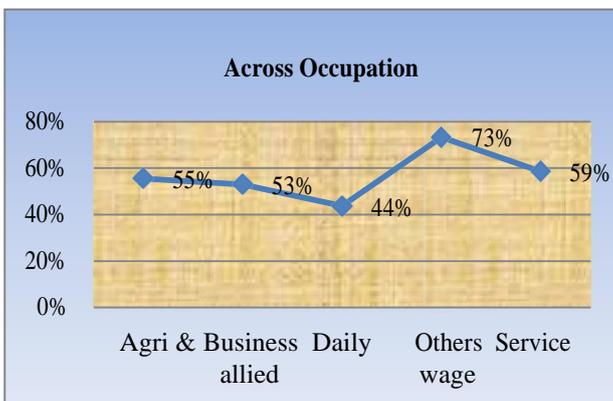
Aadhaar enabled Payment system (AEPS)

10 % of the clients have the awareness about AEPS

West zone has the highest awareness as the clients are mostly linked with SHG bank linkage programme and their most preferred loan is always from the bank.

- 6% clients had any idea or exposure about digital payment, and 18-25 yrs age group lead in the knowledge
- 14% clients had prior experience of financial transactions using mobile.

Fig 13 : AEPS linked account



Business Correspondence (BC)

Less than 20% of clients said that they had done transaction in BC point. However, they frequent transactions through this process.

Point of Sale (POS) machines

26% of clients have experience of POS machine, understandably the highest in south zone, half of them have observed that 'it saves time', one fourth says it helps in 'easy and quick loan appraisal', one sixth say that it helps 'better group interaction'; but only a minuscule say that it is 'easy to use'.

These are significant observations by clients which can be encouraging factors towards digitization, with effective training and imparting hands on experience. *Clients feel that the usage of Tabs reduce time spent in meetings and enhances transparency and monitoring.*

The Toll free number is being used for various purposes as suggested in the graph. It is not only for grievance redressal.

As much as 30% of clients use it in East and West Zone. While West Zone clients use this for gas booking and other utility purposes, in East they use for clarifying loan related difficulties and complaint resolution. In other zones it is understood as the grievance redressal number from the MFI, who also have a grievance redressal desk too. The reason is no awareness of number and usually they take up issues with Field officer and Branch manager. There was very less awareness on grievance redressal process. Also, there is no orientation of customers about the knowledge about what would constitute a grievance, may be that is another reason why there is so little use of the number.

Comfort level with digitization

Although clients were found to be hesitant about the use of digitization processes, they are not found to be rejecting the idea altogether. They realize that hereby they can

- Save expenses in travelling to bank
- Have safety in transacting money (by self/by collection officer)
- Have transparency (no pipelining/ring leader involved)
- Have lesser interest rate ultimately
- Learning to transact digitally gives a feeling of sophistication

The following is the main findings from the replies we received.

Clients

- **20% clients are comfortable with digitization**
- **However, no resistance expressed. The ability to handle technology is considered a status symbol, as it promotes them to the domain of the intelligent and sophisticated**
- 50% own a feature phone, 5% own a Smart phone
- 98% of the clients are financially included. 90% have Aadhaar linked accounts

- 77% own an ATM card, 36% self use it
- 90% clients report to have visited branches
- 51% have prior Experience of Financial transactions using mobile
- 6% have done digital payment themselves
- 10% have the experience of Vendor payment using a mobile App
- 20% understand the BC Channel of the NBFCMFIs
- 10% have awareness on Aadhaar Enabled Payment Services (AEPS)
- 30% have the experience of the use of Toll free number for registering grievance, gas booking, balance, cheques, ATM issues
- 26% have seen the use of POS machine
- About 53% understand that digital payments save time

MFI Staffs

It brings transparency. Money management is easier

MFIs expects the following results with Investment indgitization (Fig 17)



Owning a mobile will help them overcome the technology inhibition; it will facilitate to get accustomed to apps and online transactions.

Quick, transparent and dependable transactions will lead to better income prospect. They are transactions, which already might have introduced them to some aspects to transaction like NIFT, Paytm, and debit card use.

Smartphone improves purchasing power. 'Purchase; includes better deals, and apps are meant to keep account of instalments paid; so buying of insurance policies will be easier.

Tracking system ensures that a wrong step can be traced back with evidence. This will help us overcome language barrier quickly. "If there is no loss even if we make a mistake, we shall overcome the fear of a wrong click".

The study was done when the dream of digital India was being conjured. The investments envisioned under digital India concept hints towards 'big data' and 'Artificial intelligence' for superior service delivery, client retention, client acquisition, innovation, trend analysis and forecast etc. Financial inclusion measures are being strengthened with 'JAM' strategy; 'safety-net' approach is being thought of as a better and empowering replacement of 'subsidy' provisioning.

Even with such a big dream, at the center, who was bothered to train this women? The microfinance institutions were presumed to be in charge. However, the proportion of investments coming to MFIs is not much clear. Discussions with the Senior Management of MFIs brought the fact out that MFIs are being expected to finance their own IT/MIS & data capture mechanisms, training as well as other investments for faster digitization; even when there is no assurance regarding connectivity. Further, the expenses towards database creation and client training may be overlapping considering the multiplicity of services for the same set of clients.

All the evidences imply that women need closer engagement with regard to financial literacy before expecting them to opt for digital means. This includes giving them time for

Poverty, said Nobel laureate Amartya Sen, is not merely lowness of income, but deprivation of availing basic facilities. An inclusive financial ecosystem is quintessential to the social contract. It surmounts both physical and, more importantly, psychological barriers, and helps achieve sustainable economic growth.

Fig 14 : BC Awareness across zones

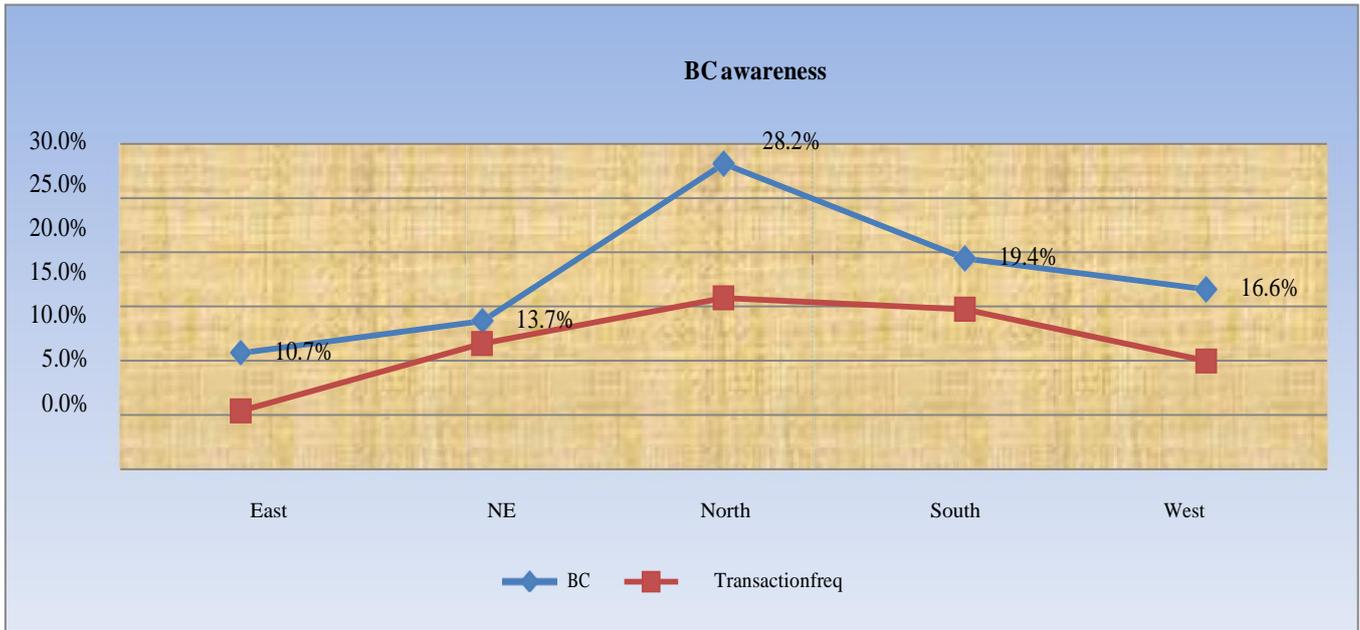


Fig 15 : Awareness of POS machine

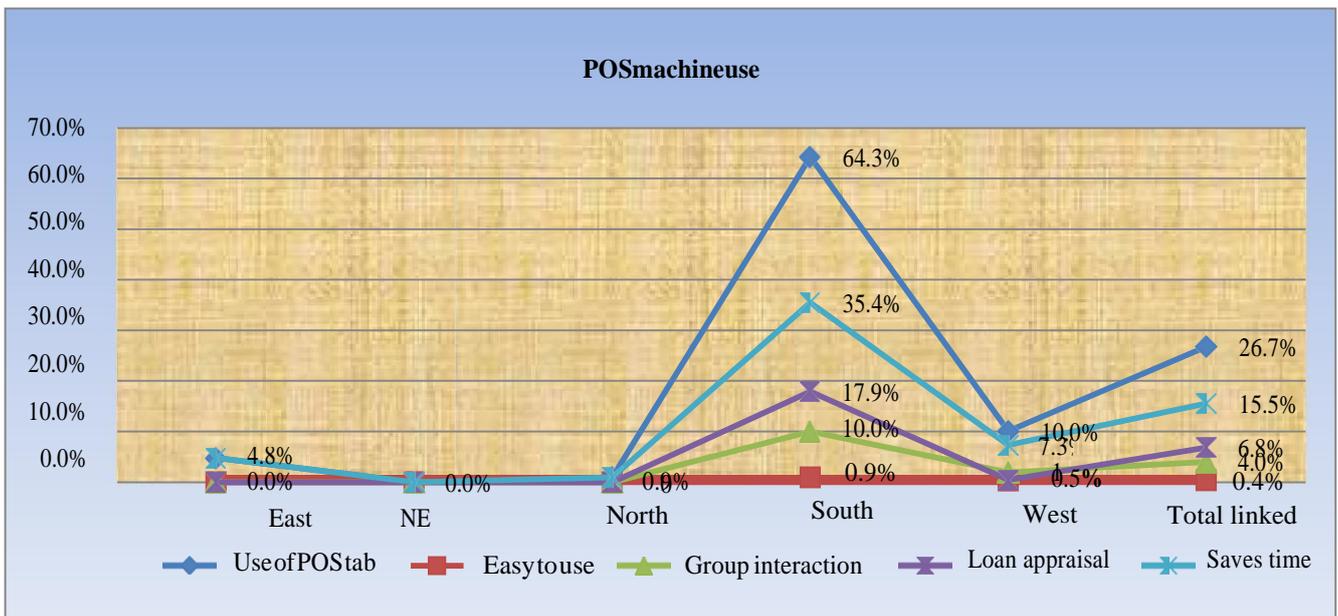


Fig 16 : Use of Toll free number is not only for grievances but for several other utilities.

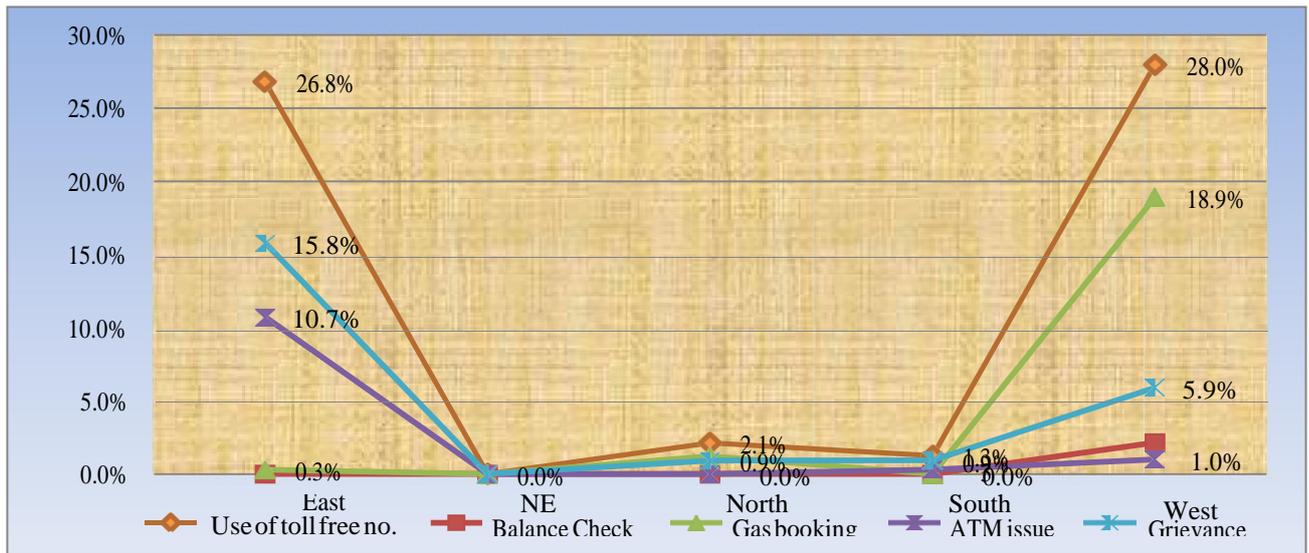


Fig 17 : MFI Expectation

