

# MicroSave India Focus Note #125

## PMJDY Assessment Round 2: Well Begun is Job Half Done

Manoj Sharma, Mukesh Sadana, Lokesh Kr. Singh and Aishwarya Singh

November, 2015

### Introduction

The Hon'ble Prime Minister of India launched Pradhan Mantri Jan Dhan Yojana (PMJDY) on August 28, 2014. The goal of PMJDY was to provide all households in the country with financial services. 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; and
6. Unorganised sector pension schemes.

### 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 to track the progress of Pradhan Mantri Jan Dhan Yojana (PMJDY) with focus on the presence and performance on Bank Mitrs (BMs). MicroSave conducted the first round in the months of November-December 2014 (See: [Assessing The Most Ambitious Public Financial Inclusion Drive In History](#)). The second round of assessment took place during April-May 2015.

### Coverage

To provide a comparable analytical framework, the geographies covered under the second round of field research were the same 41 districts in 9 states as in the earlier round. In the second round we covered 1,700 BM locations and 4,514 beneficiaries.

### Study design

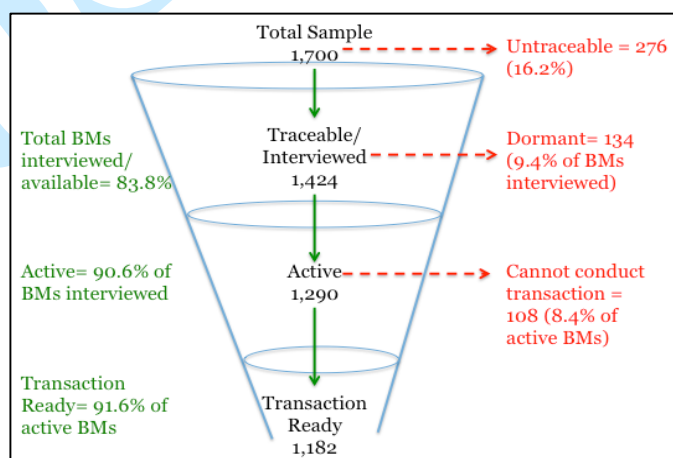
The second round places more emphasis on supply and demand side aspects, over and above the parameters tracked in the first round. On the supply side, we assessed BMs' infrastructure, service area coverage, sustainability, satisfaction level, activity level, product portfolio, training (including financial literacy) and monitoring. The demand side assessment includes collecting PMJDY customer level information such as demographic data, Aadhaar enrolment, availability and seeding, RuPay card and PIN availability, transactional behaviour and customer preference for a transaction point.

MicroSave also conducted qualitative research to understand the intricacies, reasons and implications of issues and challenges at the front end. The objectives of the assessment were to:

- Verify the availability of BMs at their locations/outlets;
- Assess the quality of services being provided to account holders and product portfolio of BMs;
- Understand issues associated with sustainability of BMs and assess their satisfaction levels
- Assess support mechanisms available to the BMs;
- Understand customers' preference for transaction points, their savings behavior and financial literacy; and
- Assess penetration of financial products (savings and insurance).

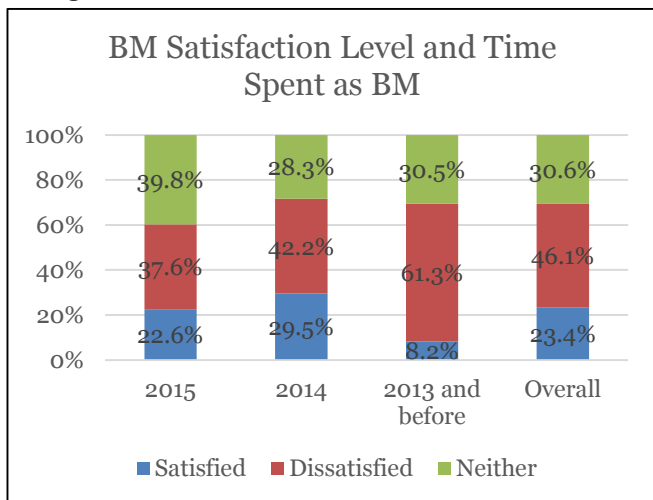
### Bank Mitr Level Findings

- The diagram below gives an overview of the status of BM availability



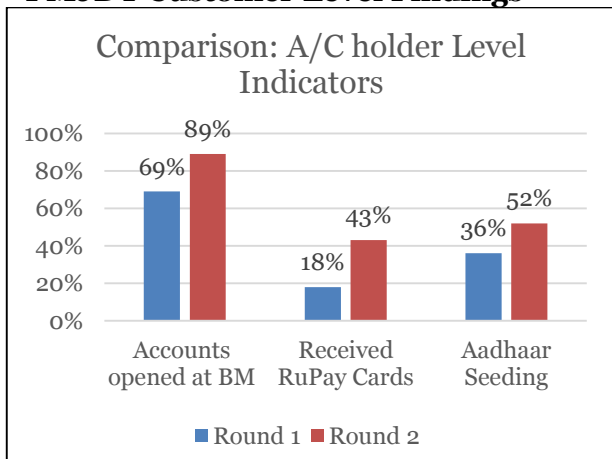
- Transaction readiness of BMs (capability to conduct deposits, withdrawals and account opening) has improved significantly to 79% as compared to 54% in round one.
- Dormancy (the case of a BM completely abandoning his/her role as an agent or ceasing to offer financial services for some time) has decreased marginally from 8.4% to 7.9%.
- 78% of BMs are providing services to customers in more than one village, of which 34% BMs are providing services in more than 5 villages.
- 69% devices at BM outlets are Aadhaar enabled and 39% devices are RuPay enabled.

- The majority (71%) of BMs receive a completely variable commission on the basis of business done in a month. 29% receive a minimum fixed amount plus variable commission. The fixed amount varies by bank/business correspondent network manager (BCNM).
- BMs across all banks are earning 45% higher average monthly income (Rs.3,951) as compared to the last round (Rs.2,724). However, there are wide variations in individual BMs' incomes, which has resulted in high levels of dissatisfaction among a large number of BMs.



- BM dissatisfaction level goes down as the longer they have been in the system. This leads to high churn - only 41% of the BMs are more than 18 months old.
- Capacity building of BMs is a weak area and does not seem to be a priority for banks/BCNMs. 41% BMs have been trained just once, either at the time of joining or later; 14% of BMs have not received training even once.
- Monitoring of BMs by banks and BCNMs continues to be weak - 44% BMs mentioned that either no bank official had ever visited them or they had been visited just once in a year.

### PMJDY Customer Level Findings



- As the previous figure shows there is improvement all across on parameters of accounts opened at BM location, RuPay card availability as well as Aadhaar seeding.
- 86% customers report that the PMJDY account is their first account. This percentage has remained unchanged since the first round.
- BMs are the main source of scheme related information for customers. 80% of the customers came to know about PMJDY through BMs.
- Only 24% of PMJDY account holders have received financial literacy training; BMs trained of 84% these.
- BMs are the first choice over ATM and bank branches for 70% of the customers when choosing their point of transaction.
- The top reasons for such high preference for BMs are proximity and location of BM outlet, ease of transaction and timings/availability of BM.

### Recommendations

- **Develop and deploy a common standard training module for BMs**, who should not remain just transaction points, rather act as “financial intermediaries”. The module should be able build capacity of BMs on customer service, financial products and basic accounting for reconciliation purposes.
- **Ensure proper monitoring of, and support to, BMs:** Visiting officials can sign-in using Aadhaar authentication at a BM point to ensure that they actually visit BMs regularly. Additionally, mystery shopping can help ensure quality of monitoring and support provided.
- **Revise commissions, especially on G2P payments so as to ensure a minimum of Rs.5,000 per month**, or equivalent for the geography, with appropriate monitoring and checks to ensure BMs actually provide services as required of them.
- **Roll out additional appropriate products** (as minimum: demand and term deposits, insurance, and remittance).
- **Enhance customer awareness** through a mix of mass media campaigns and targeted financial education modules, to increase footfall.
- **Track all devices logged into the Aadhaar system** on real-time basis to allow improved monitoring and management of BMs.
- **Mandate helpline facilities for both customers and BMs**, and actively promote these through all advertising/communication materials.