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Banking & Financial Services
Consumer Behavior

June 2016

Context and objective

- India has a large 'underbanked' population (Estimated at as high as 300 Million currently)
- RBI and the Government have been pushing Financial Inclusion in India through multiple means, including the *Pradhan Mantri Jan Dhan Yojana* (PMJDY)
- Even with the recent phenomenal success of the PMJDY in improving access to financial services, usage by low-income consumers remains a challenge
- Deloitte undertook a primary research based exercise across select segments (including urban and rural) to identify their on-ground banking and financial payments behavior, their pain points and preferences
- This report presents the findings of the primary research. It is to be noted that the findings in the report are directly from primary research, and do not include any additional analysis. Moreover, the report stays focused on the behavior, usage and pain points across segments; and does not draw out any insights for any banks or other stakeholders

Key insights (1/2)

Overall



Income & Savings

Respondents Profile

- 25 percent of the respondents have monthly income less than INR 5,000 and 59 percent earn less than INR 10,000 as their monthly income
- 70 percent of the respondents are able to save less than 20 percent of their monthly income



Usage & Awareness

- Majority (95 percent of respondents) own bank account
- However, there is significantly low awareness of wealth management products such as mutual funds (~78 percent of the respondents unaware) and fixed deposits (~51 percent of the respondents unaware)
- Life Insurance and health insurance have a better awareness and the likelihood of usage in near future is quite high, as elicited by respondents



Channels used

- In-person branch banking is used by a significant majority for all transactions (except bill payments); Almost all deposits and new account opening are done through branches only
- For withdrawal activities, in addition to branch visits, ATM has a significant usage (~50 percent of respondents)
- Internet/ mobile banking was almost non existent among all types of transactions; except for bill payments (~8 percent)

Key insights (2/2)

Overall



Mobile & Internet usage

- 97 percent of the respondents own mobiles: ~75 percent own basic and feature phones, while 22 percent own smartphones
- 20 percent of the respondents access internet: 94 percent access via mobile, Among the internet users, only 12 percent use mobile phones for financial transactions



Digital modes used

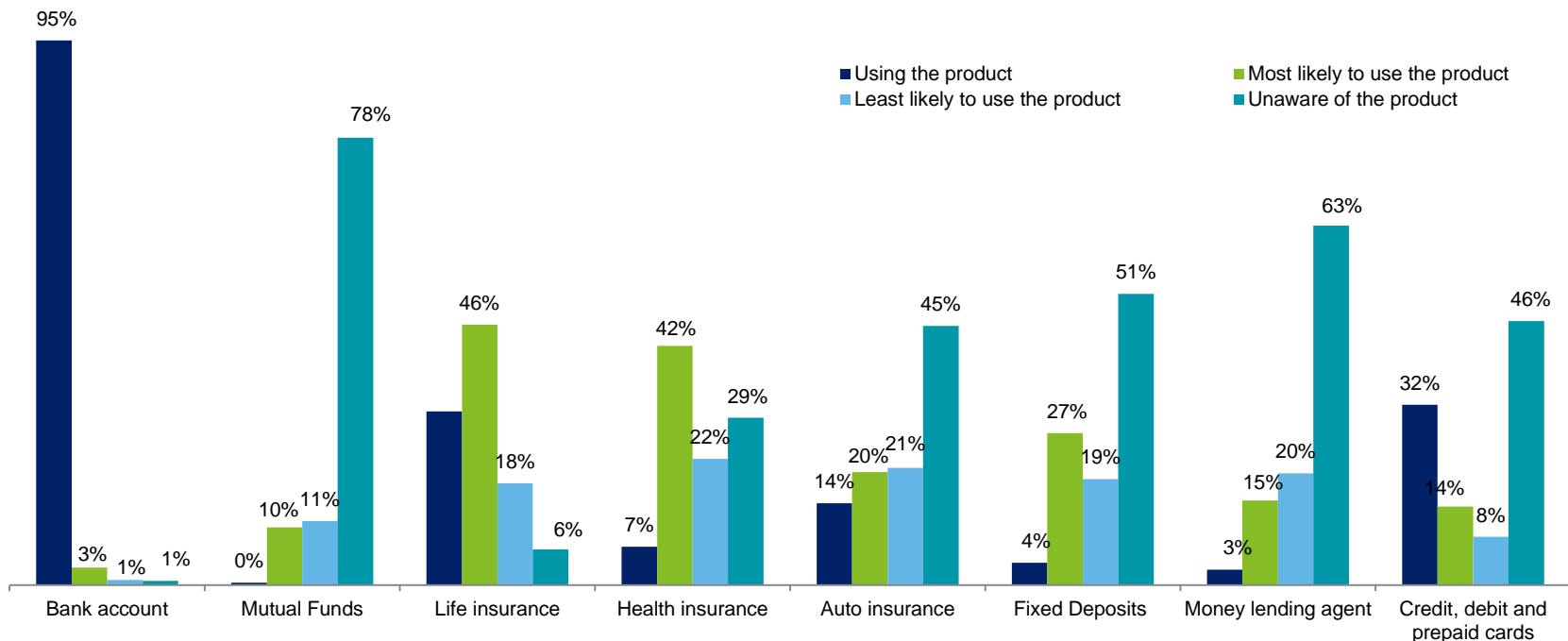
- Perceived risk of online transactions (53 percent) and fear of the outcome if the system failed (39 percent) are the largest deterrents towards performing financial transactions via digital mode
- Lack of awareness – Do not know the concept (39 percent) and Do not know how to use (22 percent) are the other significant factors hindering usage

1. Banking & Financial products: Current usage (1/3)

Awareness & usage of financial products

- Majority (95 percent of respondents) use only bank account and there is significantly low awareness of wealth management products such as mutual funds (~78 percent of the respondents unaware) and fixed deposits (~51 percent of the respondents unaware)
- Life Insurance and health insurance is well-known and are most likely to use in future

Awareness and usage of financial products (percent respondents)

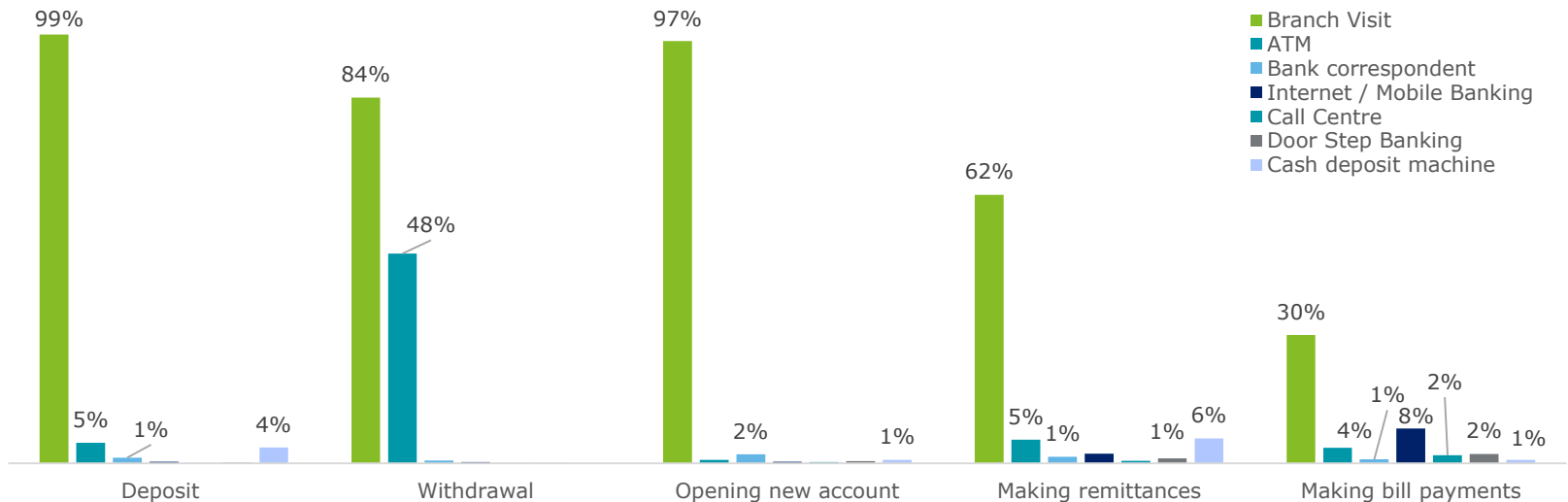


2. Banking & Financial products: Current usage (2/3)

Preferred channel for banking transaction

- In-person branch banking is used by a significant majority for all transactions (except bill payments); Almost all deposits and new account opening are done through branches only
- For withdrawal activities, in addition to branch visits, ATM has a significant usage (48 percent of respondents)
- Internet/ mobile banking was almost non-existent among all types of transactions; except for bill payments (~8 percent)

Methods of accessing of bank account for various activities (percent respondents)

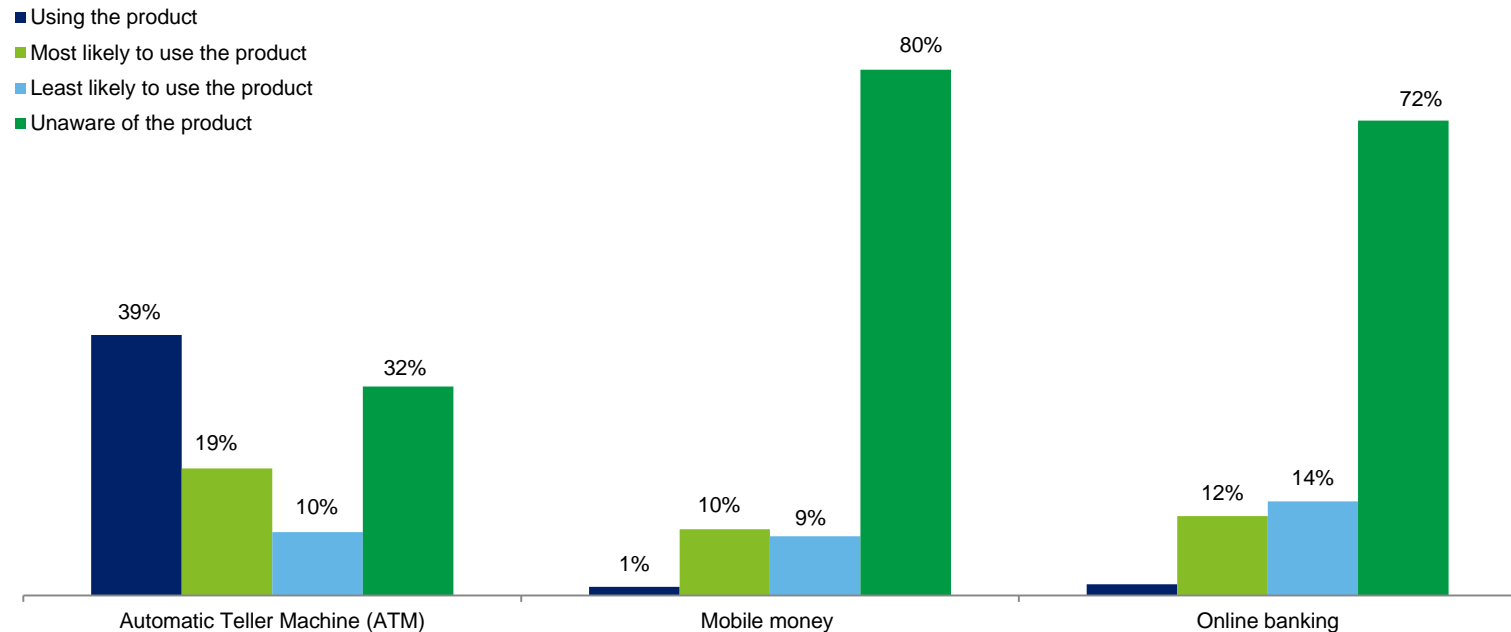


2. Banking & Financial products: Current usage (3/3)

Awareness & usage of mobile/digital channels of banking

- 39 percent of respondents use ATM machines but a significant share (~32 percent) is unaware of the product
- Significantly low awareness and usage of mobile and online banking (~72 percent & 80 percent unaware of mobile money and online banking respectively)

**Awareness and usage of mobile/ digital channels of banking
(percent respondents)**

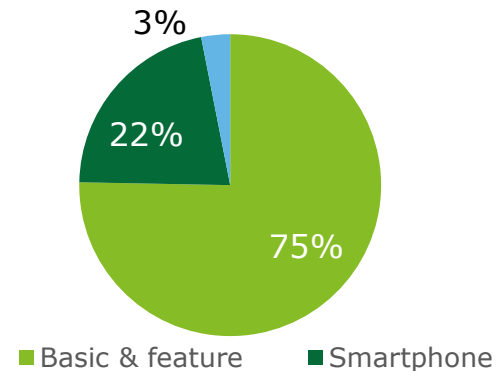


3. Internet penetration and online banking

Mobile and internet usage habits

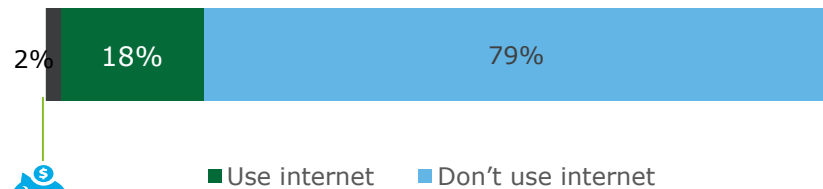
- 97 percent of the respondents own mobiles: ~75 percent own basic and feature phones, while 22 percent own smartphones

Type of phone (percent respondents)



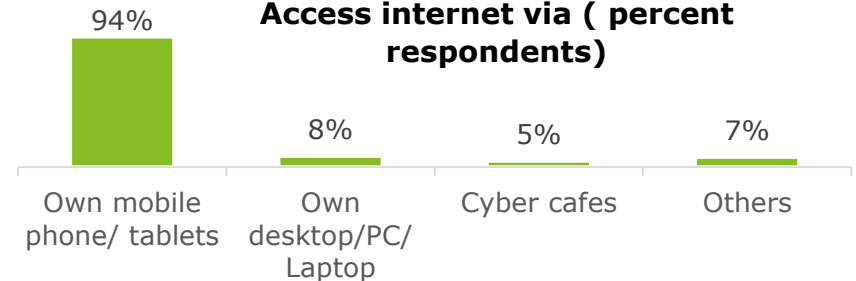
- 20 percent of the respondents access internet: 94 percent access via mobile, Among the internet users, only 12 percent use mobile phones for financial transactions

Internet users (percent respondents)



Use internet for financial transactions

Access internet via (percent respondents)

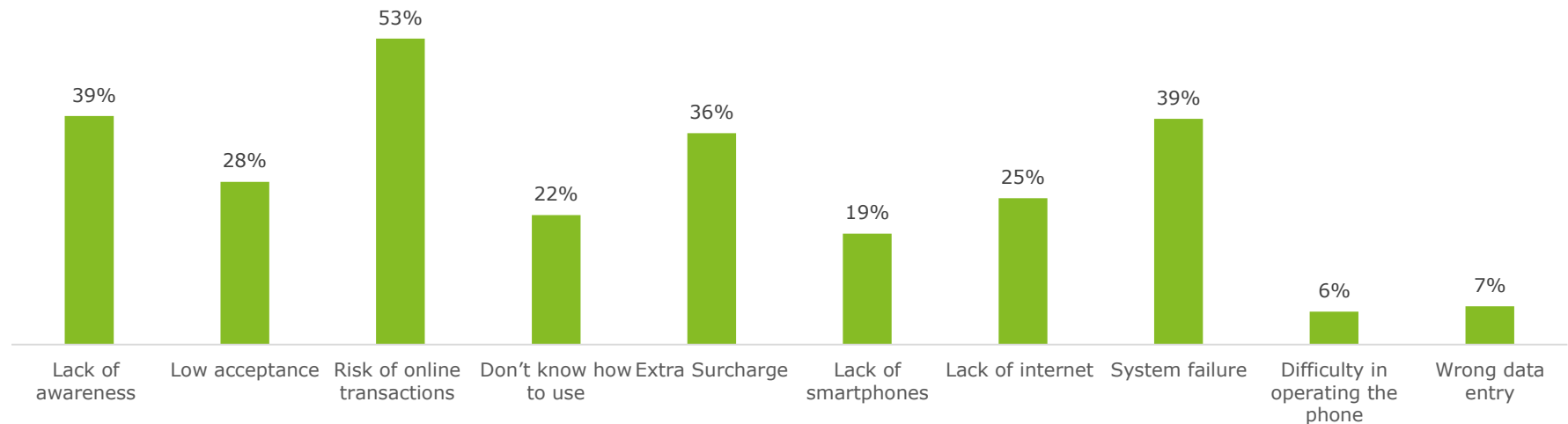


4. Current pain points & challenges

Challenges of digital modes of money

- Perceived risk of online transactions (53 percent) and fear of the outcome if the system failed (39 percent) are the largest deterrents towards performing financial transactions via digital mode
- Lack of awareness – Do not know the concept (39 percent) and Do not know how to use (22 percent) are the other significant factors hindering usage

Challenges of digital modes of money (percent respondents)



Key implications

- There is a significant uptake in bank accounts penetration and even their usage over the last few years
- However, there is a lot that can be improved both in terms of financial products' penetration and adoption of emerging channels for financial transactions
 - While there is some basic awareness of insurance products, etc. there is little understanding of wealth management products
 - Traditional channels continue to be the channels for banking transactions for majority of the underbanked or not-so-well banked populace
- Lack of awareness (fear of losing out on money in a digital mode, lack of understanding of product usage) is one of the biggest challenges that constraints potential adoption
- It is critical to spread financial literacy (educate populace about the advantage of these products) and awareness around security of these products for enabling a noteworthy change in the banking and financial payments behavior of the people

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