

# Digital Financial Inclusion India- A Growth Trajectory

**October 2013 - March 2017**

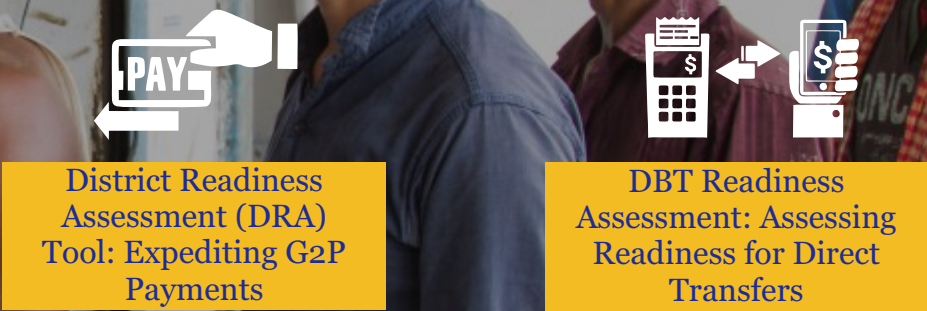
# DIRECT BENEFIT TRANSFER READINESS ASSESSMENT

MicroSave prepared an approach to assess the readiness of districts for delivering G2P payments, including:

- Providing quantifiable parameters to assess readiness of the existing Cash-In Cash-Out(CICO) agent network to handle Government 2 People (G2P) payment schemes in the district.
- Capturing the overall strength and weakness of the existing Cash-In Cash-Out(CICO) agent network with respect to efficiency, coverage, customer service and sustainability.
- Assessing readiness of government departments and banks to electronically transfer Government 2 People (G2P) payments directly to beneficiary accounts efficiently, with least cost and no errors.



On this basis, MicroSave has developed a comprehensive DBT Readiness Assessment tool. *MicroSave* is working with the DBT Mission, Government of India and National Council of Applied Economic Research (NCAER) to rank 28 states and union territories on the basis of their readiness to implement DBT. The tool has been accepted by the government and the ranking will bring about a sense of healthy competition amongst states to improve their DBT infrastructure and processes besides providing key pointers on areas which need to be addressed. Recently, the tool was presented to the Coordinating Ministry of Economic Affairs, Government of Indonesia which liked the approach; discussions are underway to adopt and adapt the tool for Indonesia.



| SAVINGS FROM ELIMINATION OF DUPLICATE CONNECTIONS |                                                                                          |
|---------------------------------------------------|------------------------------------------------------------------------------------------|
| Liquid Petroleum Gas                              |                                                                                          |
| Numbers of subsidised cylinders per year          |  12 |
| • LPG market price (Delhi)(₹/cylinder)            | 626.5                                                                                    |
| • Subsidised price (₹/cylinder)                   | 417.0                                                                                    |
| • Subsidy/person(₹/cylinder)                      | 209.5                                                                                    |
| • Excess connections eliminated (mm)              | 33                                                                                       |
| • Subsidy per person per year                     | 2,514                                                                                    |
| • Savings on elimination of fake accounts         | 8,300                                                                                    |

# FUEL

## Liquid Petroleum Gas

We designed processes for routing of LPG (cooking gas) subsidy to the bank account of beneficiaries. The processes were implemented by Oil Marketing Companies (OMCs), gas distributors and banks. After the success and roll-out of the subsidy transfer programme, our work with the Ministry of Petroleum and Natural Gas (MoPNG) was aimed to improve the execution and communication of the LPG DBT scheme affecting 152 million people; we helped them prepare and structure the “Give It Up” campaign, as a result of which over 10 million people have given up their subsidies.



Out of total of 190 million cooking gas connections in the country, 33.4 million were eliminated on account of the move to cash transfer and are presumed to have been duplicate connections. In addition, 10 million people from upper income strata gave up cooking gas subsidy. Total savings to the government on account of cash transfer is estimated at USD 744 million per annum (Initial savings were estimated at USD 3 billion; however, on account of falling oil prices, savings have reduced). The success of this programme convinced the government to move to digitisation of social benefits transfers across a range of schemes.



Don't Throw the Baby Out with Bathwater



Using “Behavioural Sciences” to Make Consumers “Give It Up”- The Case of LPG Subsidy



PAHAL - from “Discard” to Cherished Success



Are the \$2 Billion Annual Savings Arising from PAHAL Real?

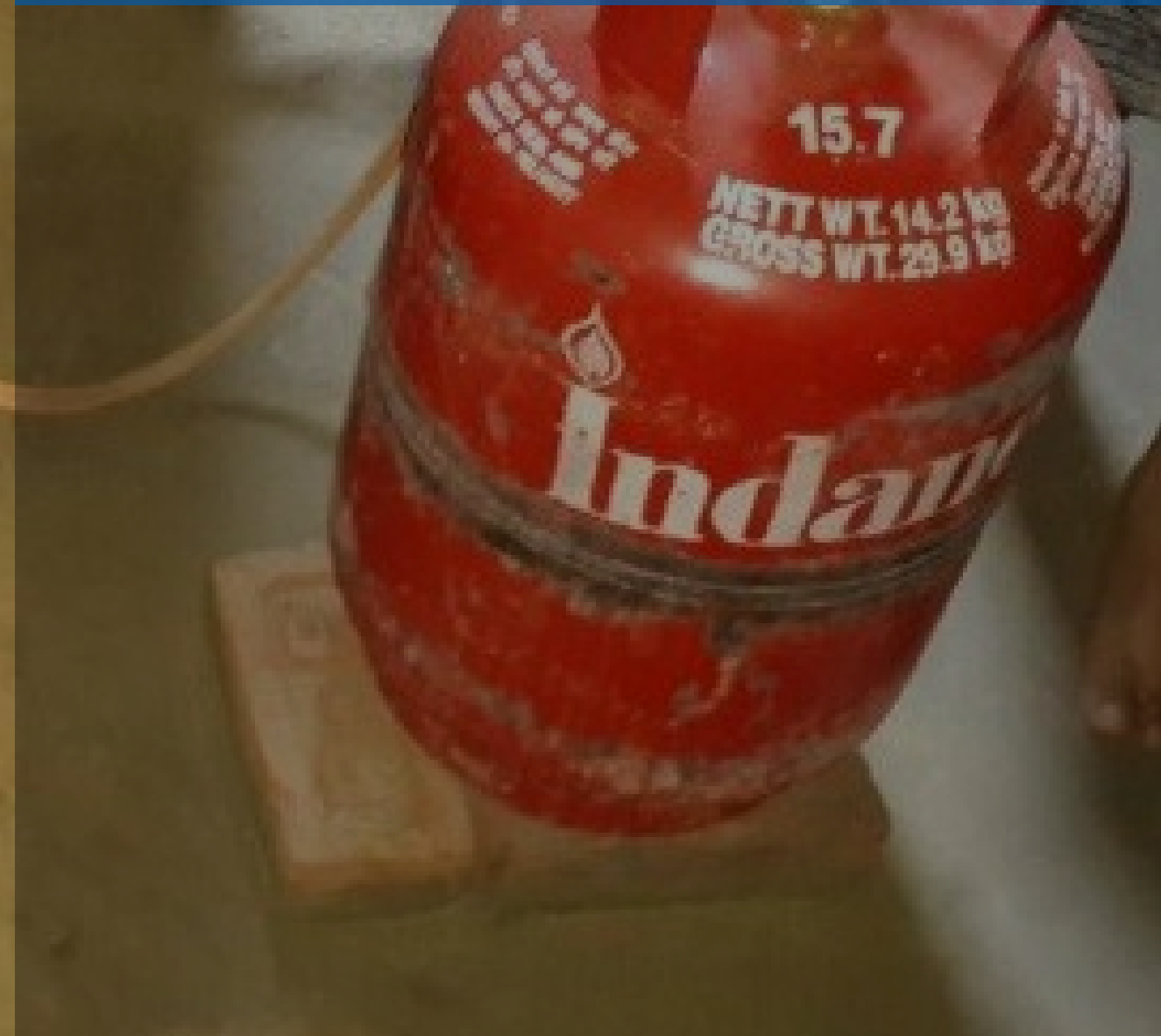
# PRIME MINISTER'S UJJWALA YOJANA

*Ujjwala*, aimed at supplying subsidised cooking gas and cook stoves to low-income households, is arguably the most powerful subsidy targeting programme anywhere in the world! In our earlier research, we had identified the initial one-time cost of gas cylinder and stove (estimated at Rs. 3200) to be a major deterrent for low income households. Accordingly, *Ujjwala* was designed to offer a subsidy of Rs. 1600 (from the CSR budget of OMCs) and in case the balance Rs. 1600 cannot be organised by the beneficiary, the gas distributor offers a loan. After launch of the scheme, we helped MoPNG assess the implementation of *Ujjwala*. We have till date conducted two rounds of assessment of the *Ujjwala Yojana*, resulting in important changes to delivery approaches and safety messages impacting nearly 25 million rural and urban households. This will be rolled out to 50 million households over the next two years.

\* (Reports kept confidential at the request of MoPNG).



The impact of *Ujjwala* has been transformational. The first survey we conducted was in East Uttar Pradesh (UP) and a number of women in these areas go fully or partially blind by the time they are around 50 years old because of smoke from wood stoves. These women reported time savings of 1 – 2 hours every day as a result of moving to a cleaner fuel and a more intense heat source. *MicroSave* has recommended to the Ministry to conduct a larger study to document the impact of the move in terms of carbon credit and health of women as well as the family. The Ministry has agreed to the suggestion and has in-principle asked us to do a detailed study of beneficiaries in UP and Jharkhand to document the health and social benefits of *Ujjwala*. Final go-ahead for the study is awaited.



# DIRECT BENEFIT TRANSFER (DBT) KEROSENE

We conducted studies to assess options for moving the kerosene subsidy to a direct benefit transfer (DBT) basis, which will affect 180 million people. We then helped MoPNG to assess the implementation of DBT Kerosene pilot in four districts of Jharkhand. We have also been asked by the Government of Jharkhand to support the roll-out of DBT implementation in seven more districts, followed by full scale roll-out in the entire state. As a follow-up to this assessment, we are helping the MoPNG to arrive at the best approach to benefit transfers, for the entire range of energy subsidies.



DBT Kerosene has been a very difficult scheme to manage given the small amounts involved. Further, the end use of kerosene is categorically different in rural areas (lighting purpose) than urban areas (cooking). Therefore, the implementation of the scheme requires different approach in urban and rural areas. MoPNG appreciated our recommendation to target urban geographies first to successfully implement the DBT Kerosene scheme. On the basis of our recommendation, commission to kerosene dealers has been increased.



Let There Be Light –  
Direct Benefit  
Transfer in Kerosene



Behavioural Biases  
Affecting Buying Behaviour  
of Kerosene Consumers  
for Alternate Fuels



# FOOD

We completed working with the Ministry of Consumer Affairs, Food and Public Distribution and the Chief Economic Adviser (CEA) to assess pilot-tests of different approaches to convert the existing food subsidies into DBT schemes. This resulted in adoption of the interim Biometric Authentication, Physical Uptake (BAPU) model for DBT and digitisation of the Public Distribution System, which will ultimately benefit 156 million poor consumers. The CEA also asked for additional work to support evidence based policy-making on fertiliser (see below) and universal basic income (UBI).

See:

- Savings achieved through FPS Automation: Step for Greater Efficiencies



Savings accrued to the state and central government, on account of FPS automation in five states, is estimated at approximately USD 0.87 billion. We have helped the Ministry of Consumer Affairs, Food and Public Distribution (MoCAF&PD) to compute savings from the automation initiative and have also worked out a formula for sharing savings from digitisation with state governments. The formula and the calculation of savings have been forwarded to the Prime Minister's Office for approval. Once approved, the formula for sharing of savings with states will be applied across schemes.



Feeding India's Poor:  
Plugging Leakages,  
Without Doing Any Harm



Baseline Assessment for  
DBT in TPDS:  
Will This Small Step  
Become a Giant Leap?



DBT in TPDS –  
A Mid-line Assessment:  
The Road Ahead  
Seems To Be Long



Fair Price Shop  
Ownership:  
How Viable Is It?



Endline Assessment of  
DBT Pilots in TPDS:  
Some Success and  
Few Issues



Andhra Pradesh's Public  
Distribution System:  
A Trailblazer



Fair Price Shop  
Sustainability in  
Automated TPDS:  
A Mirage or Possibility?



Low Preference for Cash  
Transfer in TPDS –  
What Affects  
Beneficiary Behaviour?



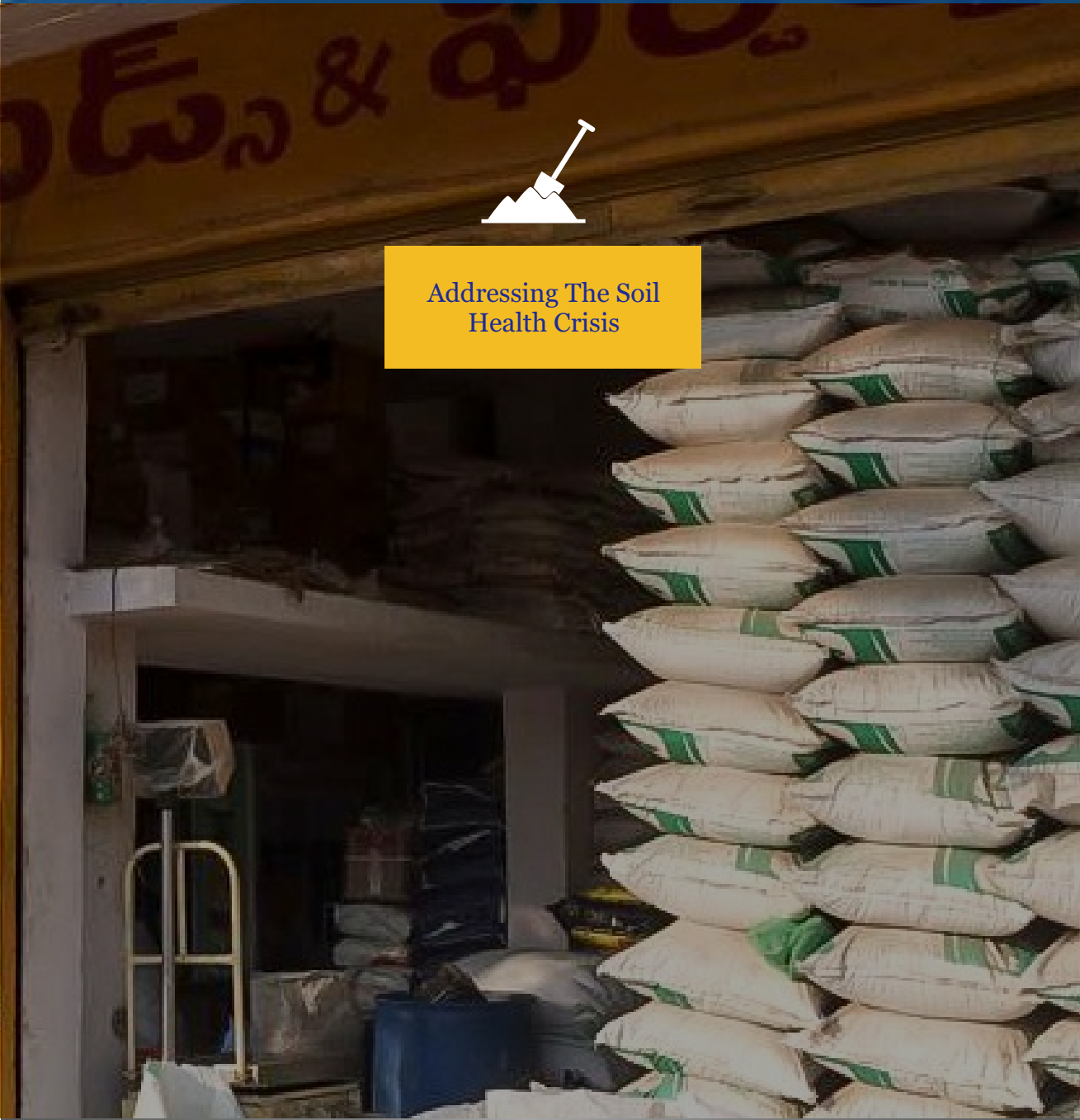
Can “Behavioural Science”  
Bell Scheme Design Cat?  
Insights from Exploratory  
Research on the Public  
Distribution System in India

# FERTILIZERS

*MicroSave* worked with the Ministry of Fertiliser (MoF) to successfully design and implement the much-awaited reforms in the highly complex fertiliser distribution system. It is estimated that 65 percent of the fertiliser does not reach the intended beneficiaries. We designed the initial pilot and deployed a full-time team to monitor and support the two district pilot in Andhra Pradesh. We are now supporting as well as monitoring the expanded pilot in 19 districts which will benefit approximately 11.5 million farmers. The learning from the extended pilot will inform the pan-India rollout of the 'BAPU' model for fertiliser; the plan is to subsequently move to cash transfers and for the government to come out of fertiliser distribution. Also, we analysed the use/impact of the soil cards with a view to digitise this data to leverage the India Stack.



This is a work in progress subsidy. However, consistent working in the last six months has enabled us to reduce time taken per transaction, using biometrics, from 10.5 minutes to 5 minutes (need to bring it down to under 2 minutes) and *Aadhaar*-enabled transactions have increased from 41 percent to 91 percent (this too needs to go beyond 95 percent before pan India roll-out). Our findings on the fertiliser subsidy were recently quoted by the government in the Parliament.



Addressing The Soil Health Crisis

# MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME

We helped the Government of Jharkhand to implement MNREGS. We assessed:

1. The process gaps in current disbursement system of MNREGS payments through Post Offices
2. Alternative withdrawal mechanisms including CSPs (agents)

Through this work, we helped the Government of Jharkhand to implement DBT schemes, reducing the time taken to credit DBTs from 28 days to 1 day for 6.7 million active MNREGS workers using India Post accounts to receive funds. The improved MNREGS process maps were submitted to the Ministry of Rural Development (MoRD), which forwarded these to India Post for a pan India rollout.

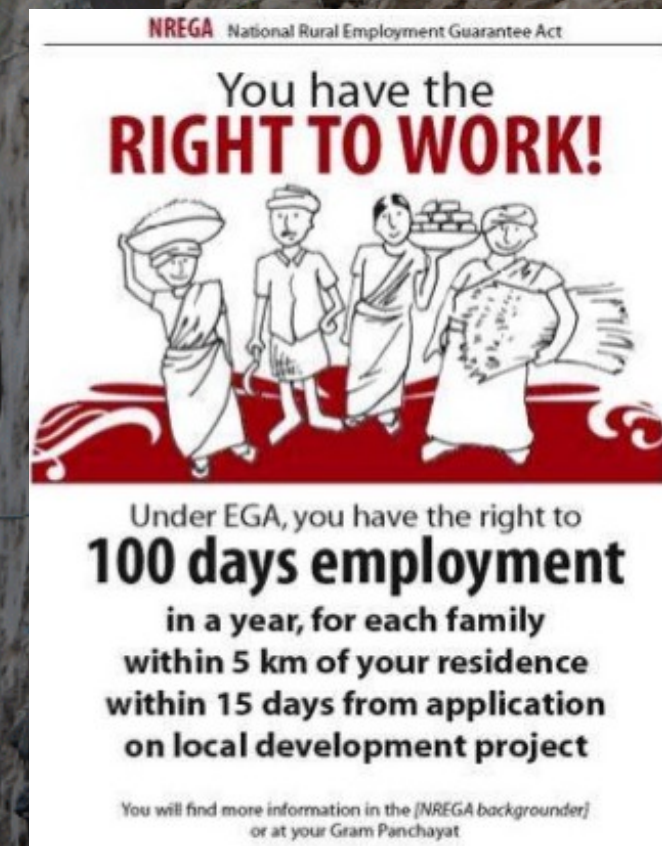
Analysed key roadblocks for successful delivery of MNREGS payments and how digital technology could address these for the MoRD.



Time taken for subsidy transfer reduced from 28 days to 1 day for 6.7 million active MNREGS workers; robust processes developed for subsidy transfer. Process maps developed by *MicroSave* were shared by the Government of Jharkhand with the MoRD, recommending to implement them on a pan-India basis.



Governance is the Weight  
Around MGNREGS's Neck:  
Technology May Offer a  
Way Out



# FINANCIAL INCLUSION

## Pradhan Mantri Jan-Dhan Yojana (PMJDY)

Worked with the Department of Financial Services (DFS), Ministry of Finance to provide evidence and recommendations on the progress of PMJDY. Many of these recommendations were implemented and improved the services of over 126,000 *Bank Mitrs* that in turn impact over 200 million PMJDY account holders.



### Pradhan Mantri Jan-Dhan Yojana

**Objective:** Banking for all by providing basic banking accounts with a debit card that includes inbuilt accident insurance

- RuPay Debit Card with inbuilt Rs 1 lakh accident insurance cover
- By January 26, people opening accounts will get additional Rs 30,000 life insurance
- A record 1.5 crore accounts opened on Aug 28

**First phase of the mission:** Starts this month, would end in January 26, 2015

**Second phase:** Will start from 2015 till 2018, covering aspects like micro insurance and pension schemes like 'Swavalamban'







Interventions to Strengthen PMJDY Scheme



Snapshots: PMJDY Wave I Assessment



Snapshots: PMJDY Wave II Assessment



Snapshots: PMJDY Wave III Assessment



Full Report: PMJDY Wave III Assessment



PMJDY: Milestones Reached, Yet Miles to Go – Customer Side Story Part 1



PMJDY: Milestones Reached, Yet Miles to Go – Customer Side Story Part 2



PMJDY Bank Mitr Assessment: The Supply-Side Story



How Many Accounts Does A Man Have To Open To Be Financially Included?

# ePAATHSHALA

Financial Capability Development and Product Marketing team developed *ePaathshala*, an e-school for effective, scalable and sustainable financial education and capability building of bank agents, bank staff and end-consumers. It uses innovative e-learning assets (audio visuals, animations, jingles and voice-overs) and platforms (mobile application, IVR, web platform and contact programme).

*MicroSave* has used *ePaathshala* extensively to run successful financial education campaigns with a number of leading banks (including State Bank of India), agent network managers, state livelihood programmes and NGOs. Gauging its effectiveness with multiple partners, DFS - Ministry of Finance, has recently written to the Chairmen/CMDs/MDs of all Public Sector Banks and NABARD, directing them to use *ePaathshala* in their financial education efforts and also leverage *MicroSave's* expertise. Additionally, CAB/NCFE, IBA, IIB&F, SIDBI and some education promoting websites, such as SchoolBank Champs and *Jan Dhan Shiksha* are at different stages of promoting and using *ePaathshala*.



# KYC PROCESSES

Conducted an extensive study to assess prevalent Know Your Customer (KYC) processes for a range of service providers to identify needs and opportunities for harmonisation during customer onboarding. Based on the assessment, identified that it would reduce processing time and save more than Rs. 100 billion for banks and MNOs if e-KYC was adopted. The report was widely published across media and NDTV Profit discussed the findings as part of its economic news. Based on the study, *MicroSave* made recommendations to RBI and DOT/TRAI to enable greater efficiency and harmonisation of KYC processes and systems, and thus realise significant cost savings.

RBI has accepted harmonisation of KYC across Payments Banks and promoter MNOs and released guidelines - making it a major step forward in easing KYC for Payments and Small Finance Banks.

DoT / TRAI also accepted the recommendations and allowed e-KYC for SIM cards leading all MNOs to introduce it nationwide.



KYC Harmonisation  
Study



e-KYC and the India  
Stack - A Transformative  
Blueprint for Emerging  
Markets

# POLICY

In addition to closed-door policy workshops on:

- 1.“Key lessons learnt and constraints faced in implementation of Direct Benefit Transfer in India”, which saw participation from NITI Ayog, UIDAI, DBT Mission, MoPNG, MoCAF&PD, FMS, NPCI, and ICFI;
- 2.“Direct Benefit Transfer in India-What will make it successful?”, for participants from MoRD, NITI Ayog, UIDAI, Govt. of Jharkhand as well as organisations such as IFC, CGAP, DFID and CDFI.

*MicroSave* presented a report to the RBI's Mor Committee on Comprehensive Financial Services (CCFS) for Small Businesses and Low Income Households, providing inputs on the state of financial inclusion in India and the policy and regulatory amendments desirable to bring about greater impact. This led to the regulatory provisions for both Payments Banks and Small Finance Banks, which are set to change the financial services landscape in India. Prepared a range of blogs on the Mor Committee to support its conclusions. We subsequently worked with IFMR to organise an information exchange meeting between the CXOs of almost all the Payments Banks and Nachiket Mor, to provide them informal guidance on the intent and implementation of the regulations.



The background image shows a woman's hands typing on a laptop. In the background, there is a blurred sign for a shop. The sign has text in Hindi and English. The English text includes "BUSINESS HOURS" and "MONDAY TO SATURDAY 10 AM TO 7 PM". The Hindi text is partially legible but mostly obscured by the laptop and the woman's hands.



The Mor Committee Report - Will Payment Banks Be Revolutionary or Evolutionary?



The Mor Committee - A Big Step Forward in India's Financial Inclusion Deliberations



The Mor Committee Report – The Demand Side Conundrum



Mor Committee Report: Is Cash-out the Answer Everyone is Looking For?



The Mor Committee – Giving Credit Where Credit Is Due (Part I)



The Mor Committee – Giving Credit Where Credit Is Due (Part-II)



The Ambitious Mor Committee Report – Challenging Indian Norms

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