



USAID
FROM THE AMERICAN PEOPLE

A Partnership to Support Financial Inclusion Through Expanded Payments Acceptance Networks and Other Efforts

Compendium of merchant and consumer quantitative survey insights

17th November, 2015

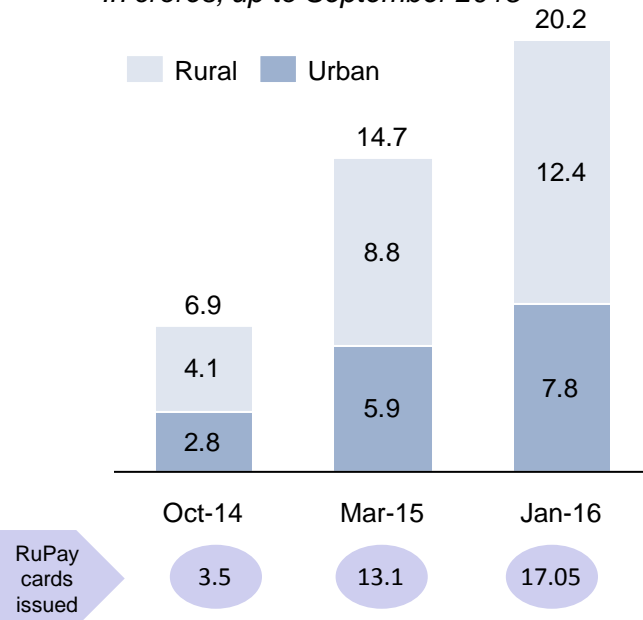
Contents

- Introduction and objectives
- Attitudes and behaviors towards digital payments among consumers
- Attitudes and behaviors towards digital payments among merchants
- Appendix

This is a transformative moment in India's journey to financial inclusion and less-cash

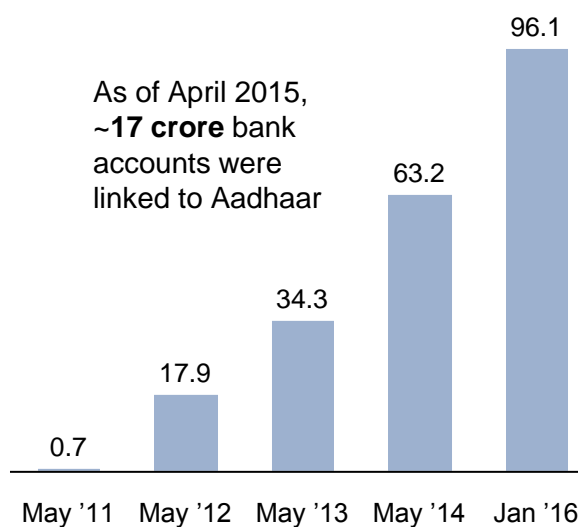
Jan Dhan Yojana

Cumulative accounts opened and RuPay cards issued under PMJDY
In crores, up to September 2015



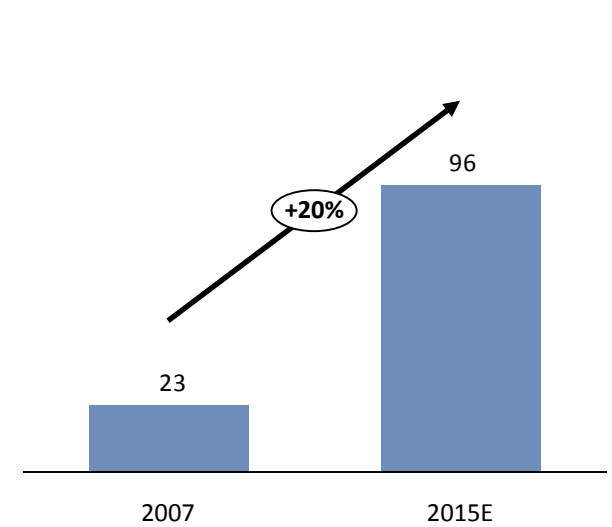
Aadhaar

Number of Aadhaar issued
In crores, up to 2015



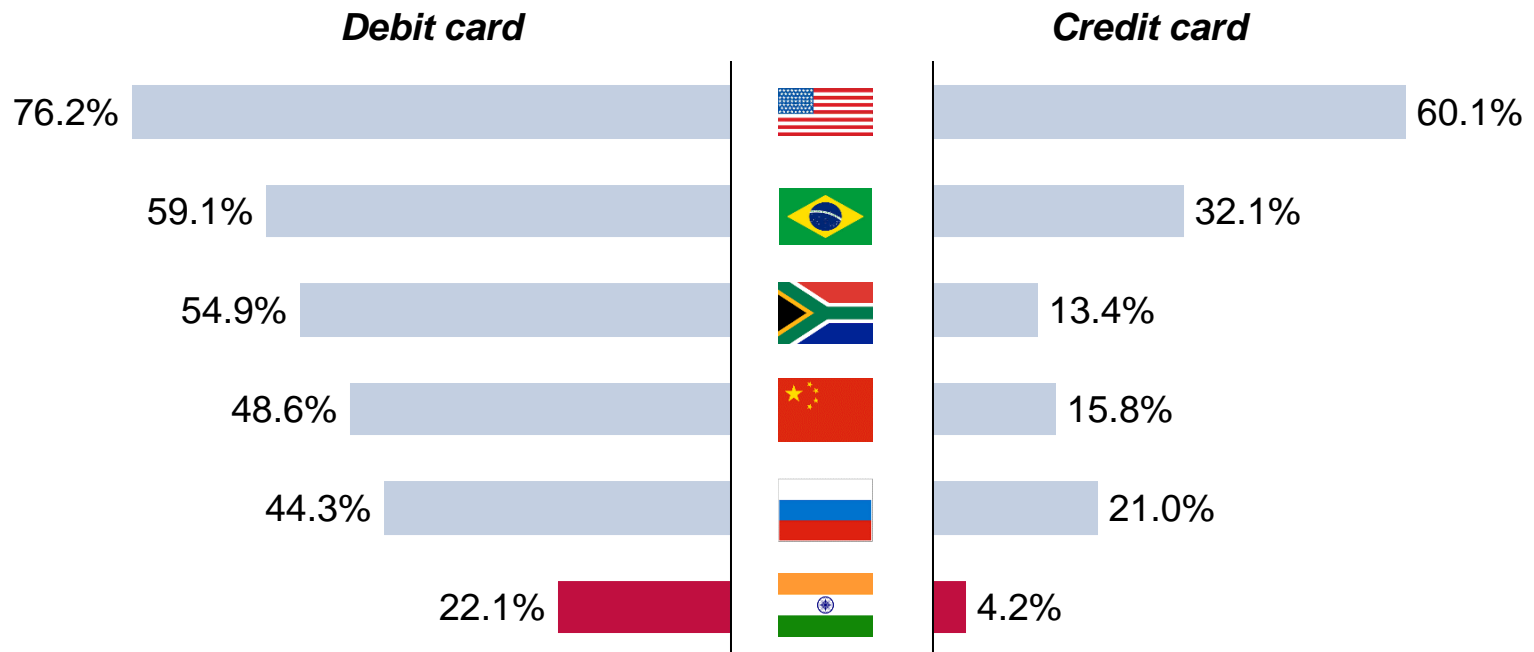
Mobile

Mobile phone subscription in India
In crore accounts, 2007-2015



However, the penetration of digital transaction instruments in India remains low

Ownership of digital payment instruments in India
As % of total population above the age of 15, 2014



Our research aimed to understand awareness, interest and experience with usage

Awareness

- *What is the level of awareness of various digital payments among consumers?*
- *What is the level of awareness among merchants that they can accept payments through different digital payment instruments?*

Interest

- *How do consumers who are aware, but not currently using them, perceive digital payments?*
- *How do merchants who are aware, but not currently accepting digital payments, perceive acceptance?*

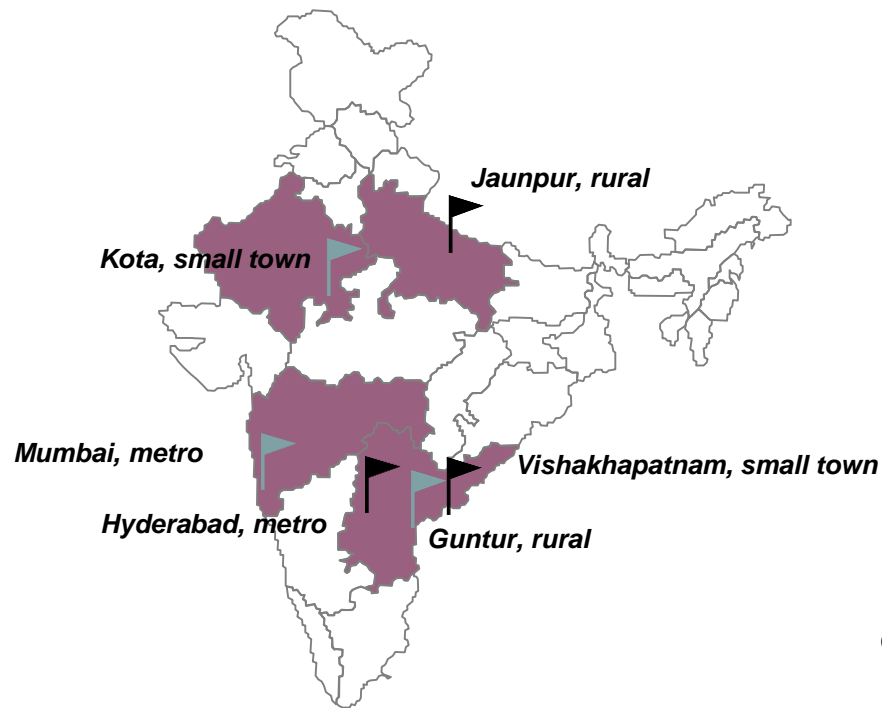
Experience

- *How does the perception of value change once consumers have experienced digital payments?*
- *How does the perception of value change once merchants accept digital payments?*

Note that our survey is not intended to be nationally representative. Instead we aimed to cover a significant proportion of users as well as non-users, drawing in particular from high potential segments. For our detailed sampling strategy, refer to the appendix.

The research was focused in 6 locations spanning the urban – rural spectrum

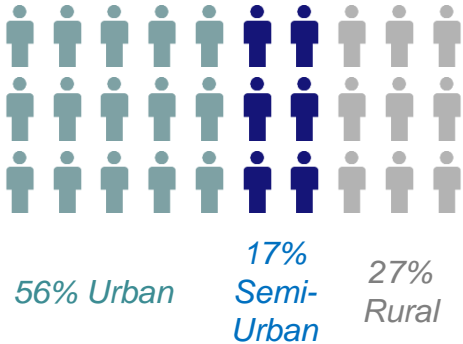
In-depth **quantitative survey** across **6 locations** in **4 states**, covering **2400 consumers** and **merchants...**



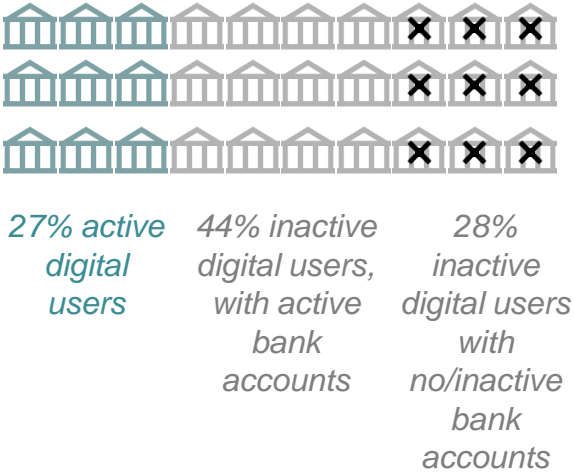
... In-depth **ethnographic research** across **3 locations**, in **3 states**, covering **64 consumers and merchants**

We covered a wide range of consumers...

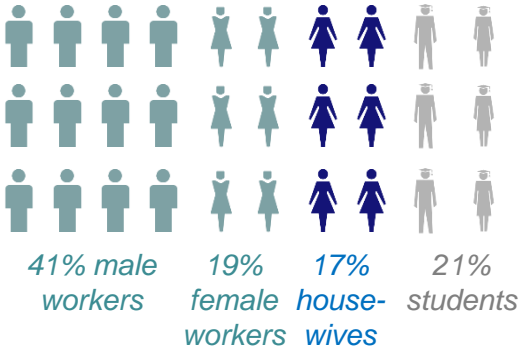
Geography



Digital readiness



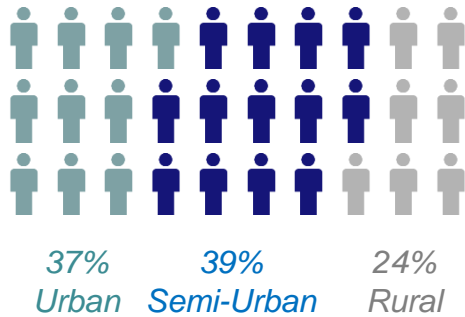
Demography



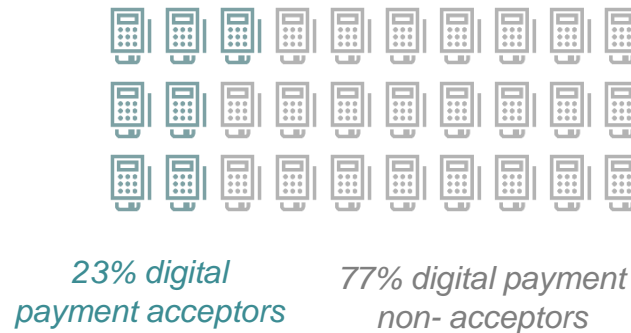
Note: Active digital users defined as consumers who have used debit cards in the last ninety days, or have ever used mobile money / bank transfers, Source: USAID Digital Payment Survey with consumers, N=1648

...As well as different types of merchants

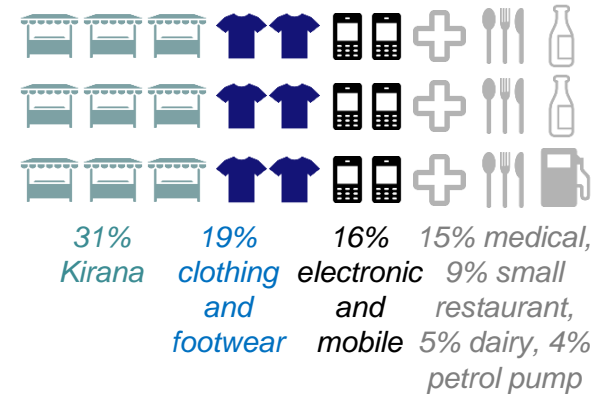
Geography



Digital readiness



Kind of store



We thank the following Partner organisations and experts for their inputs into the research design

No.	Name	Designation	Organisation
1.	Anand Raman	Financial sector analyst	CGAP
2.	Casey Dlott	Senior impact assessment advisor	USAID
3.	Daniel Radcliffe	Senior program officer	Bill and Melinda Gates foundation
4.	Doug Johnson	Senior impact assessment advisor	USAID
5.	Gayatri Murthy	Senior Economist	CGAP
6.	Jennefer Sebstad	Senior technical advisor	USAID
7.	Kabir Kumar	Lead, Digital Finance Plus initiative	CGAP
8.	Leora Klapper	Lead economist	World Bank group
9.	Matthew Homer	Senior Policy Advisor, Digital Finance	USAID
10.	Pawan Bakshi	Senior program officer	Bill and Melinda Gates foundation
11.	Rajesh Bansal	General Manager	Reserve Bank of India
12.	Sherrie Rhine	Digital inclusion advisor	FDIC

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 - Insights on mobile money usage
 - Insights on online/mobile bank transfer usage
 - Opportunity areas to accelerate adoption among consumers
- Attitudes and behaviors towards digital payments among merchants

Executive summary (1/4)

Debit card non-holders

- **Awareness and interest in adoption among current non-holders of debit cards is low:** only ~30% of debit card non-holders in our sample were aware and ~ 45% of these aware non-holders were interested in adopting cards.
 - While awareness increased slightly with age, interest in adoption declined.
 - Active bank account holders were 2.5 times more likely to be aware than inactive account holders or those who didn't have an account.
 - Awareness of debit cards remains consistent across rural and urban SECs, but is markedly lower for rural SECs R3 and R4.
- Among those who are aware, a **lack of a deeper understanding of debit cards** drives down interest in adoption. **In rural areas, poor acceptance/ATM coverage** was also a major concern.
- **Safety and convenience** drive interest in adoption.

Debit card holders

- While only a **small proportion** of active users (~15%) had used them to **buy goods and services, these users were highly satisfied with their cards**, mainly because they offered them convenient access to funds.
- **Active ATM users** were also **very satisfied with their cards**. The **lack of opportunities to observe and try cards for payments** around them was the main reason these users had not used cards beyond cash withdrawal.
- **Inactive card users** (who had not used their cards at ATM or for payments in the last 90 days) cited poor **ATM coverage, security** concerns, and **ease of understanding and use**, as drivers of dissatisfaction with cards. **Rural and semi-urban** inactive card holders also **perceived cost** to be a significant issue.

Executive summary (2/4)

Mobile money/wallet non-users

- **Awareness and interest in adoption** among mobile money non-users is very low, only ~**20%** of non-users in our sample were **aware** of mobile money/wallets, and of these ~**50% were interested** in adopting them.
 - Awareness of, and interest in, mobile money decreases with age.
 - Active bank accounts holders were 2.2 times more likely to be aware and 1.4 times more likely to be interested in adopting mobile money.
 - Awareness among urban B2 SECs (40%) is twice that among other urban SECs. Awareness among rural SECs is uniformly low (~10%).
- **Low perceived utility** drives lack of interest in adoption, and a vague perception of “**modernity**” **drives interest**.

Mobile money/wallet users

- Mobile money/wallet users **are generally satisfied with these services (only 16% of them are detractors of the product)**. Nearly all of them have used it in the last six months, mainly for **mobile top-ups**.
- Users recommended wallets because they were perceived as being “modern”, but also because they were **fast, and made top-ups easy**. **Promotions** were a top reason for both adoption, as well recommendation.
- Users believe **wider acceptance** was the main area for improvement. **Cost and increased limits** were cited, but were **not perceived to be as important**.

Executive summary (3/4)

Mobile/online bank transfer non-users

- **Awareness and interest** in adoption among **non-users is low**: only **20%** of non-users in our sample were aware, of which **45%** were interested in adopting.
 - Active bank accounts holders were 3.3 times more likely to be aware and 1.5 times more likely to be interested in adopting mobile/online bank transfers
 - Higher SECs had higher awareness level
 - There was no correlation between age of the respondents and awareness/interest in adopting mobile/online bank transfers
- **Low perceived utility**, lack of awareness, drive down interest in adoption. Consumers also feel that these transfers are not relevant to them because of their **limited financial power**.
- **Use in emergencies, speed, safety, and 'modernity'** drive interest.

Mobile/online bank transfer holders

- **Users of mobile / online bank transfer** rated their experience highly (50% would actively recommend them to others), primarily due to **perceived 'modernity', speed and safety**.
- Users cited **ease of use and acceptance** as areas for **improvement**.

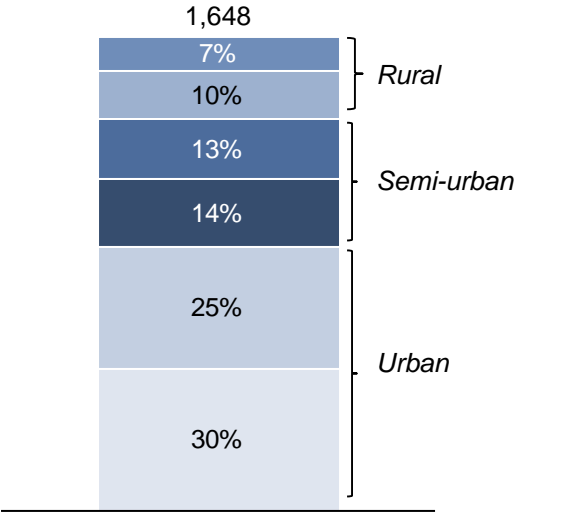
Executive summary (4/4)

Opportunity areas to accelerate adoption

- Using digital payments is often inconvenient for non-users who **neither receive nor store money** digitally. There is a potential to **digitize cash** by meeting the demand for additional **savings opportunities**, particularly in semi-urban and rural areas.
- There are **clear pain-points of using cash** which provide opportunities for digital payments, mainly **expenditure tracking** and management of **loose change**.
- Consumers **associate digital payments with larger transactions**. There is an opportunity to shift these “mental models” to induce more people to take up digital more often.

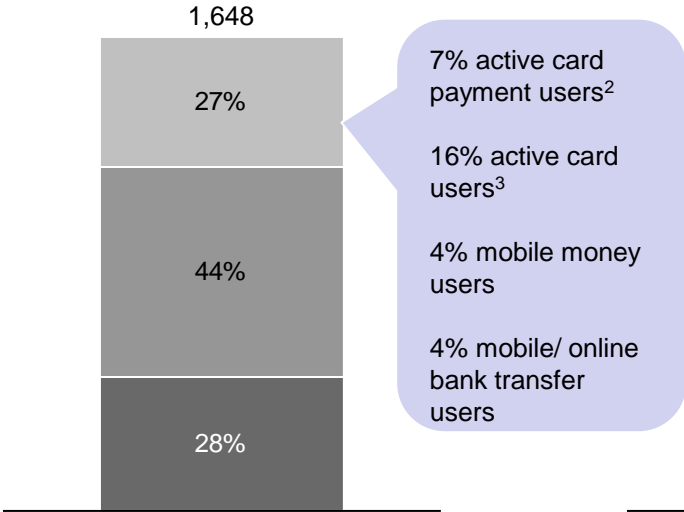
Consumer demographics (1/2)

Respondents by geographic region
(% of total respondents²)



- Mumbai
- Kota
- Hyderabad
- Villages near Guntur
- Vishakhapatnam
- Villages near Jaunpur

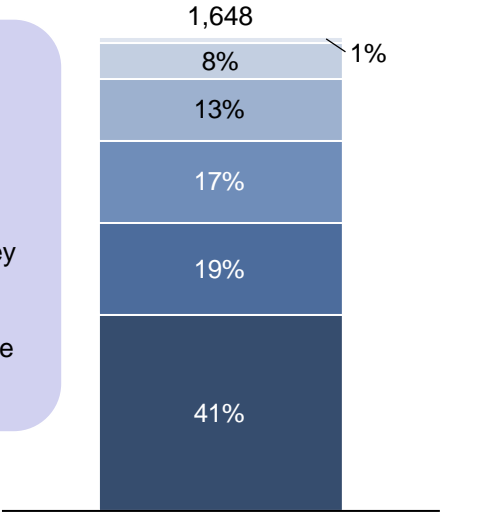
Respondents by active digital usage¹
(% of total respondents²)



7% active card payment users²
 16% active card users³
 4% mobile money users
 4% mobile/ online bank transfer users

- Active digital users
- Inactive/non digital users with an active bank account
- Inactive/non digital users with no/inactive bank account

Respondents by employment category
(% of total respondents²)

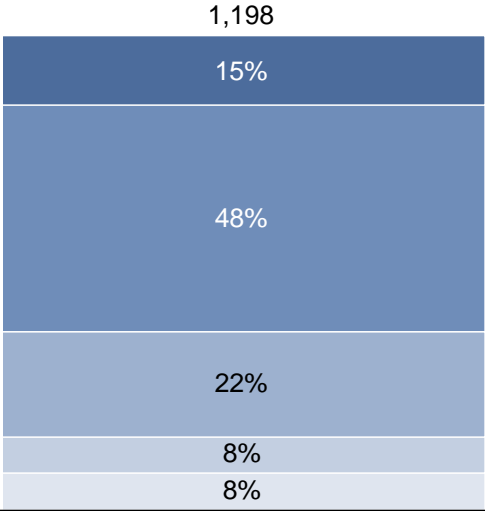


- Unemployed
- Housewives
- Female students
- Working females
- Male students
- Working males

[Agreed upon recruitment criteria](#) (1)Active digital users defined as consumers who have used debit cards in the last ninety days, or have ever used mobile money / bank transfers, (2) N=1648 Source: USAID Digital Payment Survey with consumers, N=1648

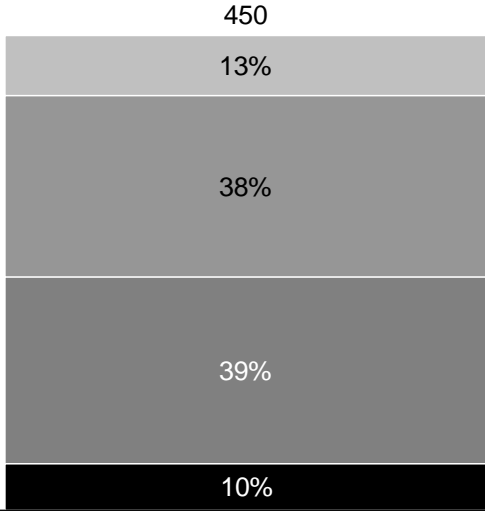
Consumer demographics (2/2)

Respondents by SEC
 (% of urban and semi urban respondents¹)



- B2
- C
- D
- E1
- E2

Respondents by SEC
 (% of rural respondents²)



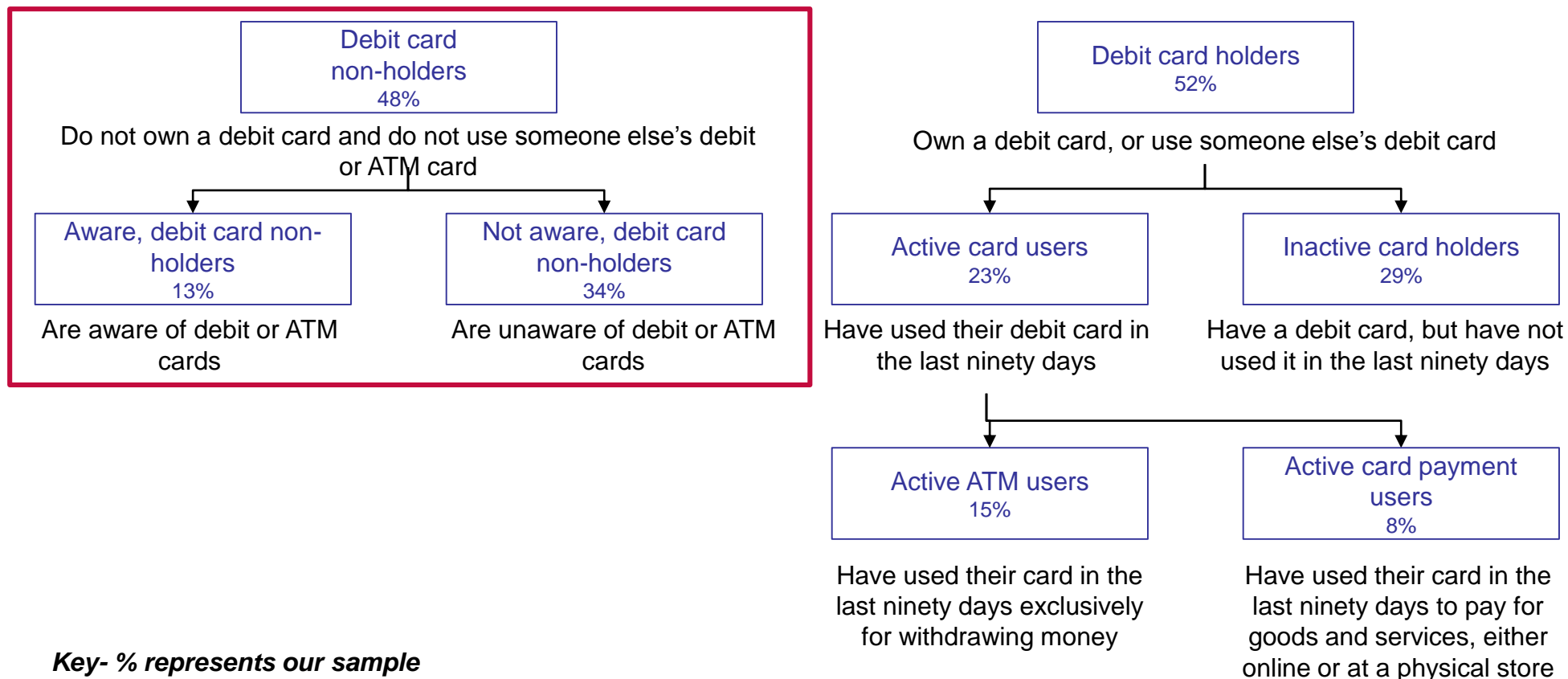
- R1
- R2
- R3
- R4

[SEC breakdown by population](#) (1) N=1198; (2) N=450; For the breakup of India's population by SEC, click [HERE](#)
 Source: USAID Digital Payment Survey with consumers, N=1648

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We analysed awareness, interest and usage across different types of debit card users

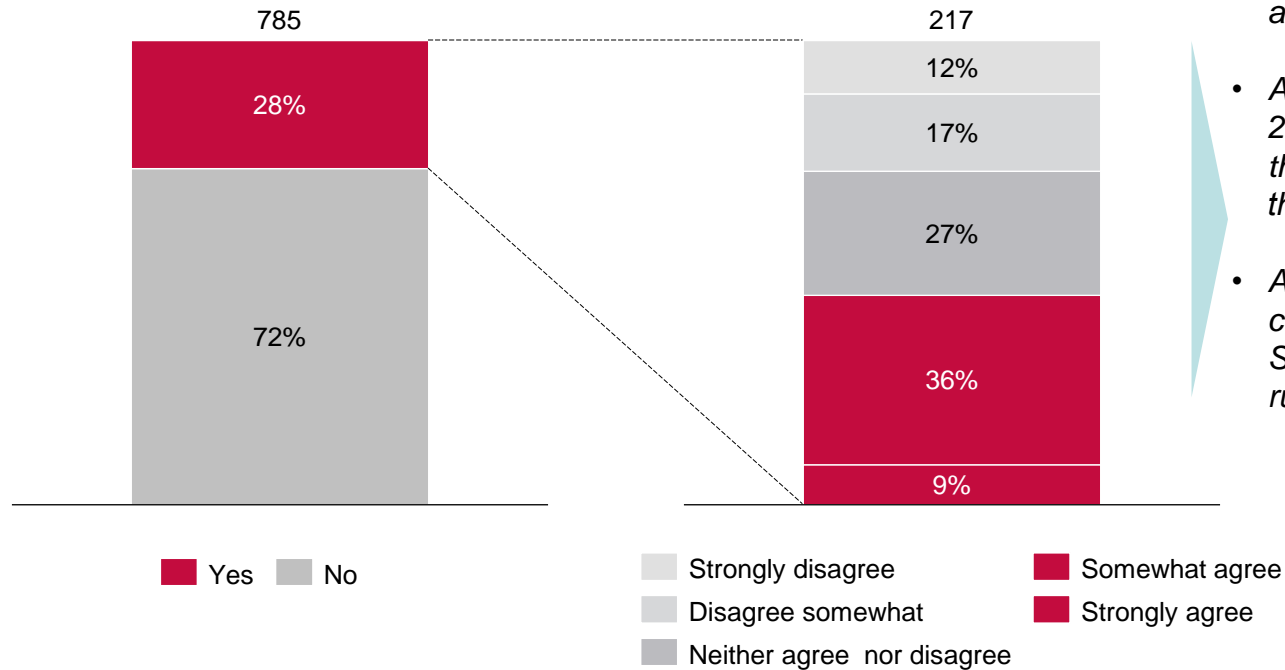


Key- % represents our sample composition

Awareness and interest in adoption among debit /ATM card non-holders is low

Are you aware of debit/ATM cards, which can be used to withdraw cash from an ATM/ purchase goods or services?¹
(% of non-holders of debit cards)

I am interested in getting a debit card²
(% of non-holders of debit card aware of debit cards)



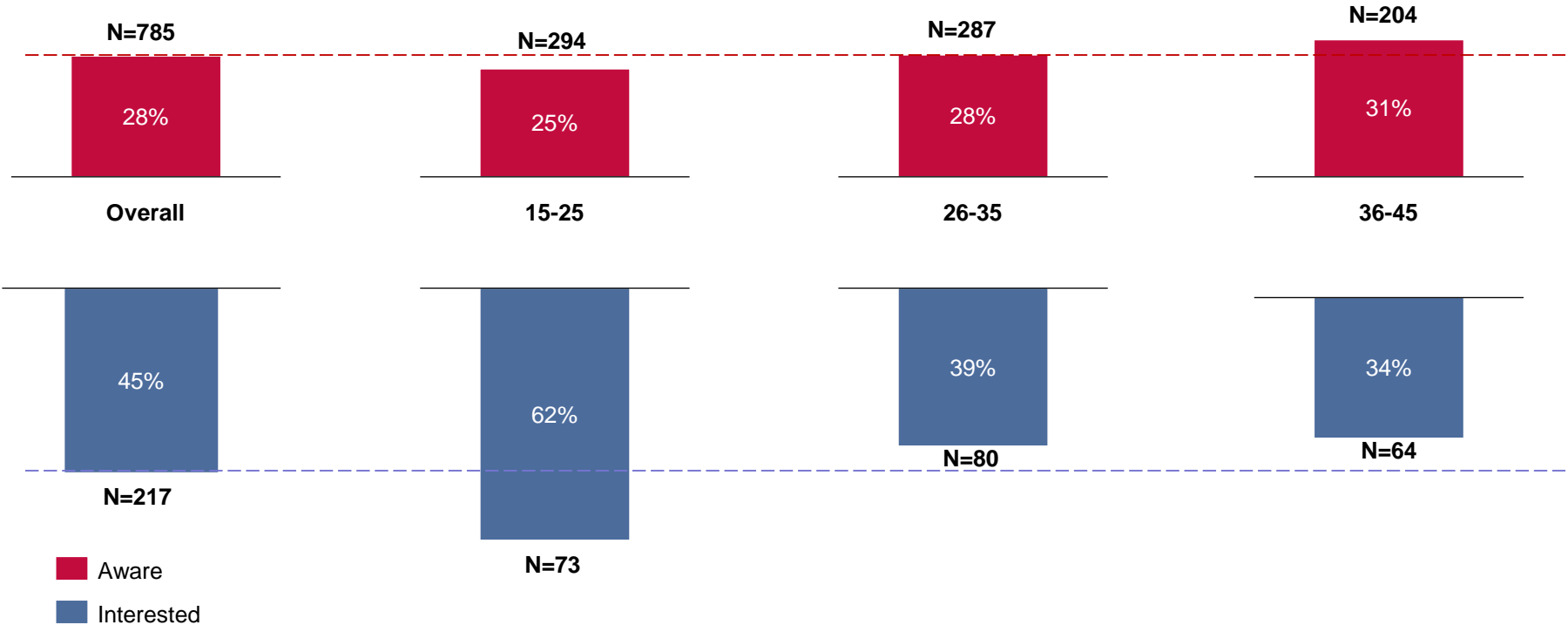
- While awareness increases with age, interest in adoption declines
- Active bank account holders were 2.5 times more likely to be aware than inactive account holders or those who didn't have an account
- Awareness of debit cards remains consistent across rural and urban SECs, but is markedly lower for rural SECs R3 and R4

(1) N=785, (2) N=217

Source: USAID Digital Payment Survey with consumers, N=1648

While awareness of debit/ATM cards increases slightly with age, interest declines

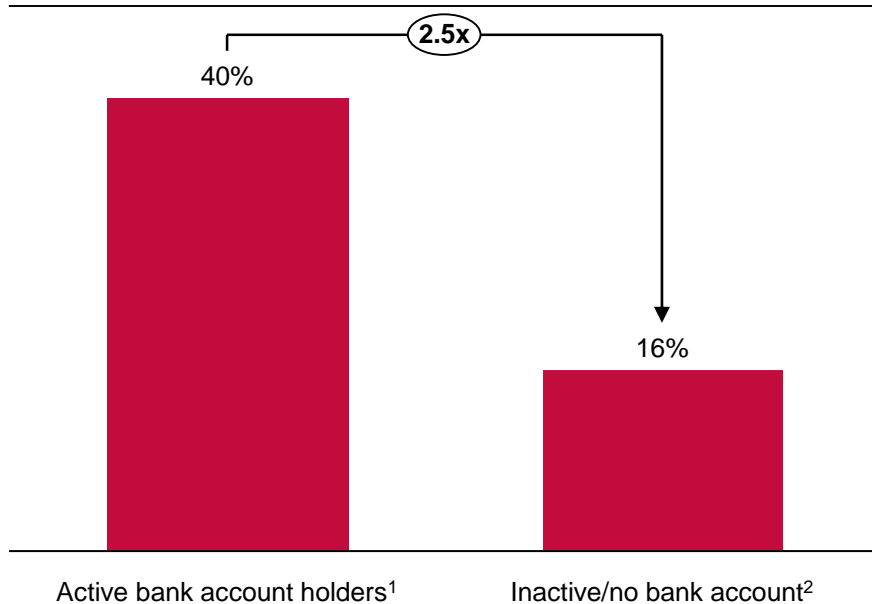
Awareness and interest in debit card usage amongst debit card non-holders by age



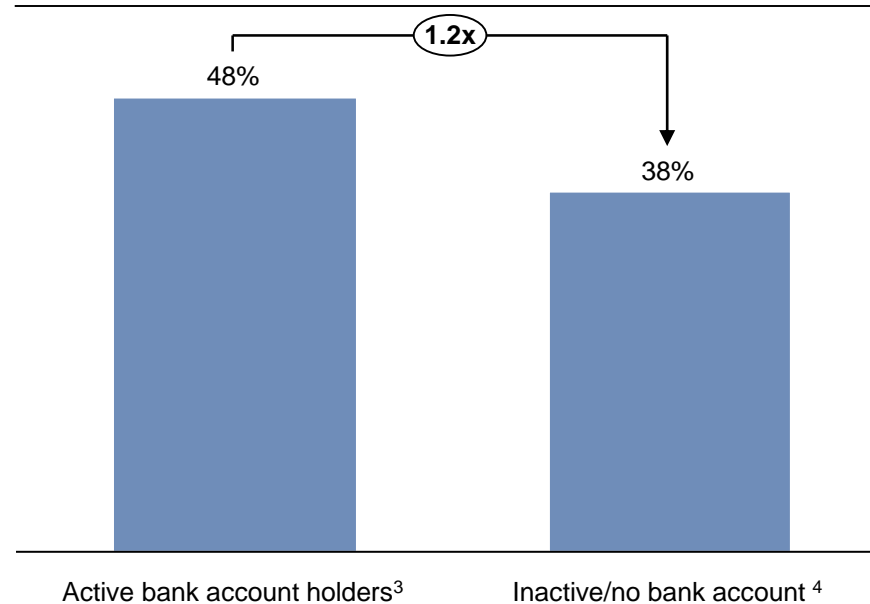
Source: USAID Digital Payment Survey with consumers, N=1648

Consumers with active bank accounts were more likely to be aware of, and interested in adopting a debit card

Are you aware of debit/ATM cards, which can be used to withdraw cash from an ATM/ purchase goods or services? *(answered by non-holders of debit cards)*

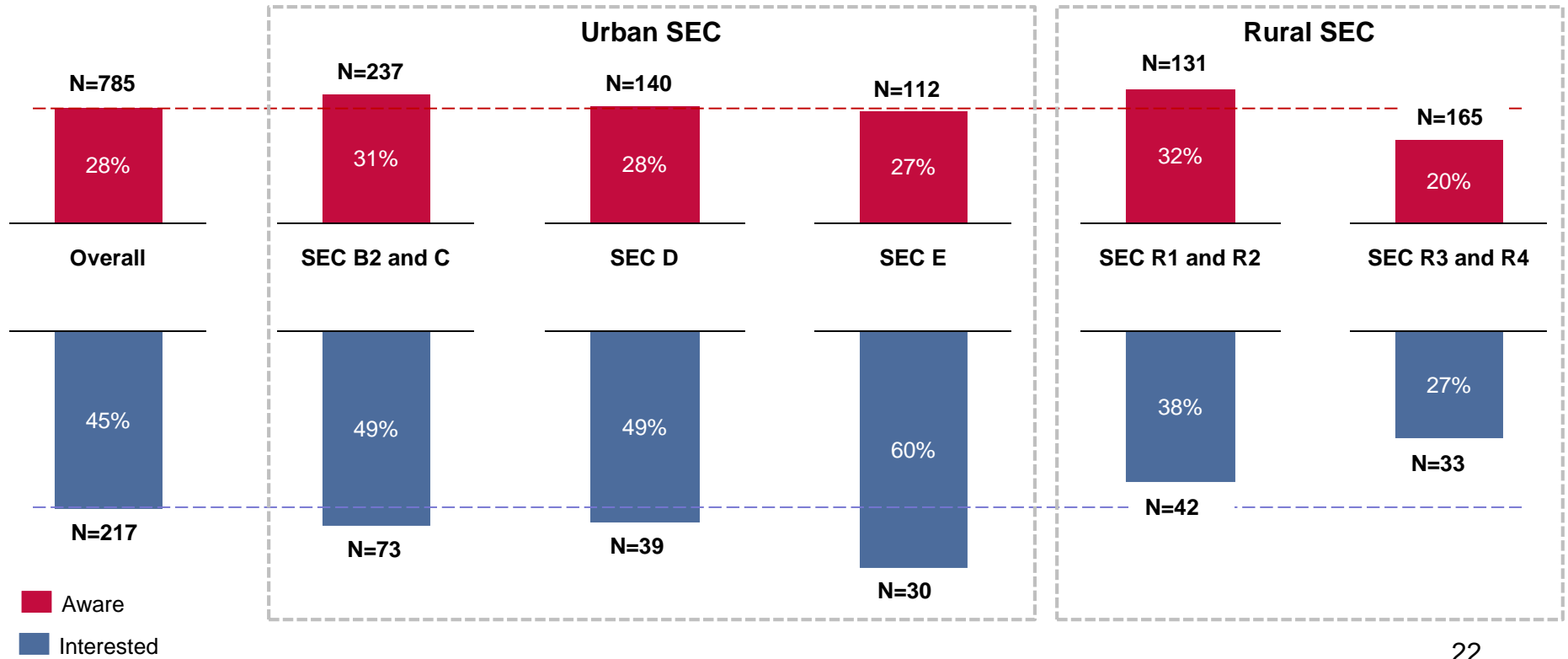


I am interested in getting a debit card
(% of non-holders of debit card aware of debit cards)



Awareness remains consistent across rural and urban SECs, but is markedly lower for rural SECs R3 and R4

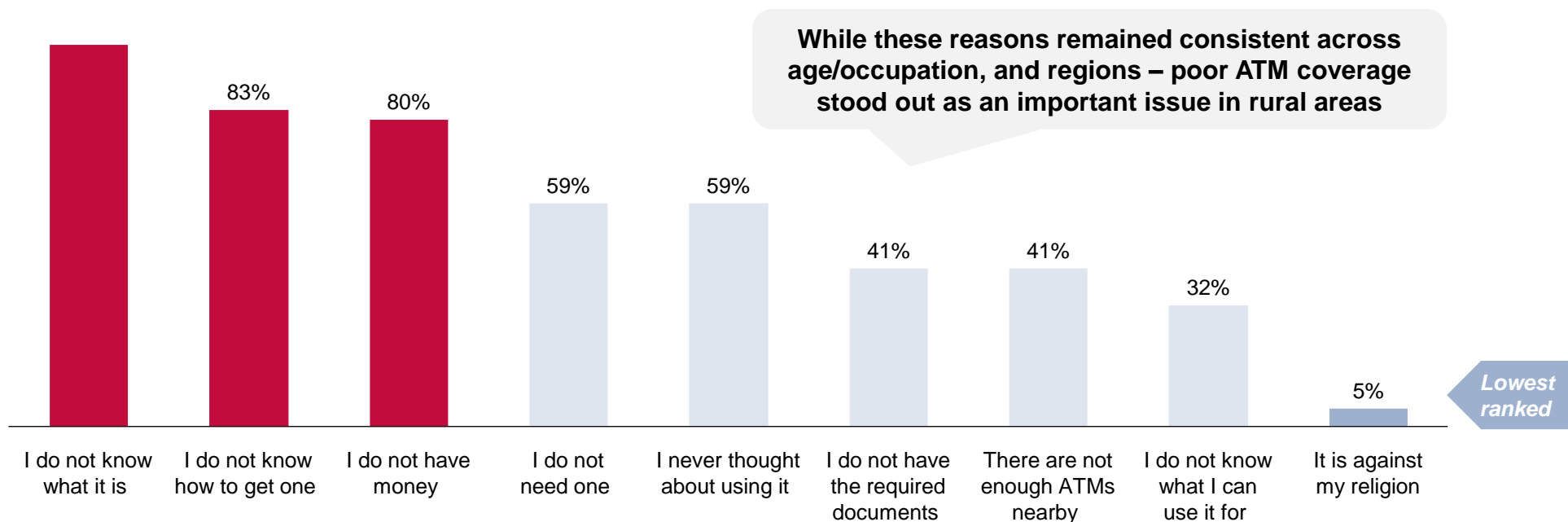
Awareness and interest in debit card usage amongst debit card non-holders



The lack of interest among those who are aware of debit cards is driven by limited understanding

What are the reasons adversely affecting your interest in ATM/debit cards?¹

(answered by aware debit card non-holders uninterested in adoption, % indexed to highest ranked option, multiple options accepted)

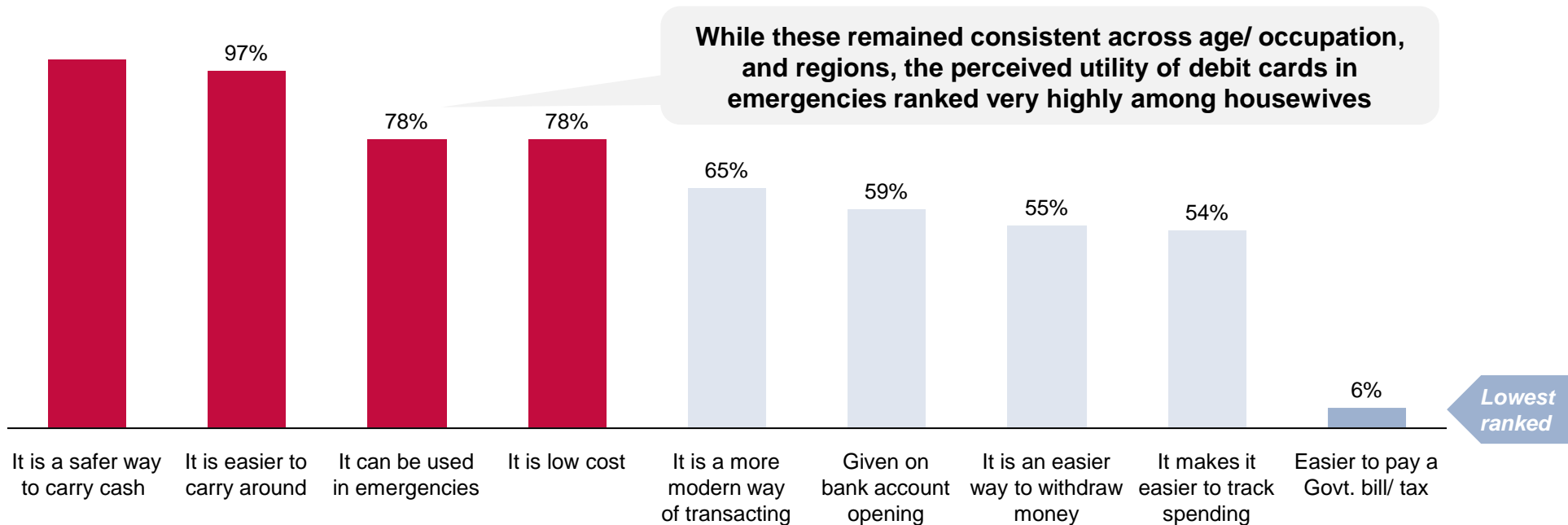


(1) N=119, There were a total of 28 options presented to respondents, only the top 8 responses are shown
Source: USAID Digital Payment Survey with consumers, N=1648

Those who are interested in adopting debit/ATM cards note a variety of advantages

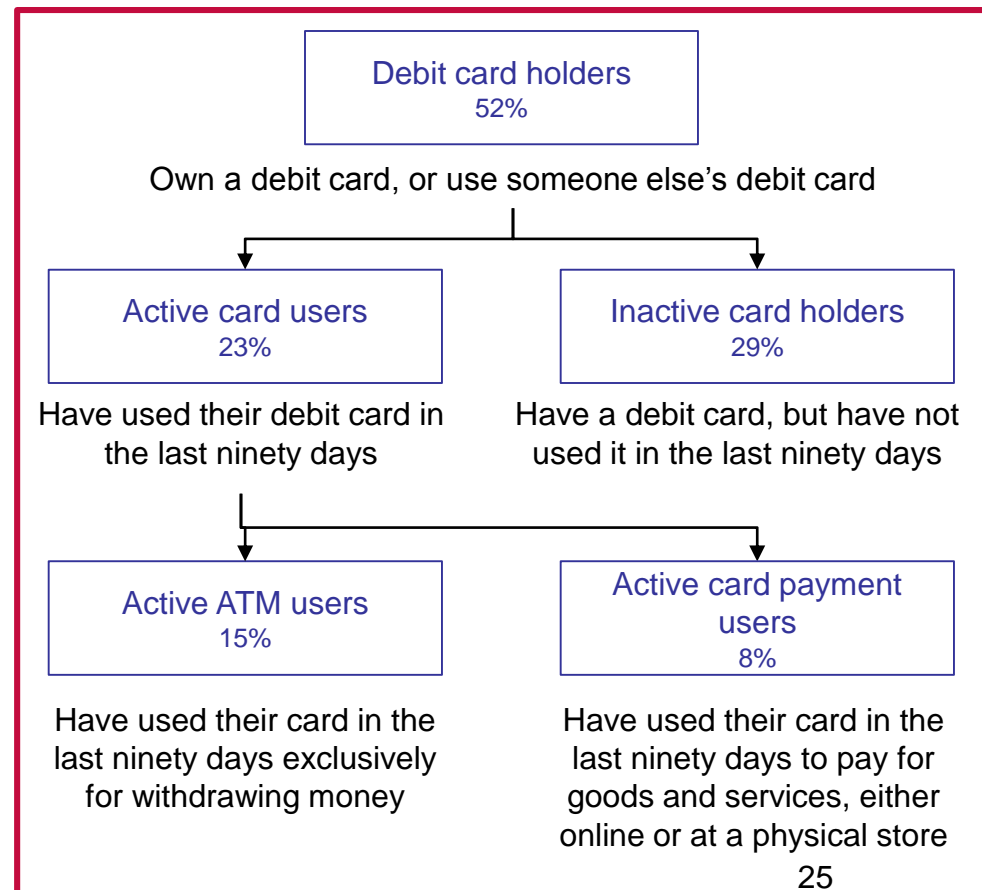
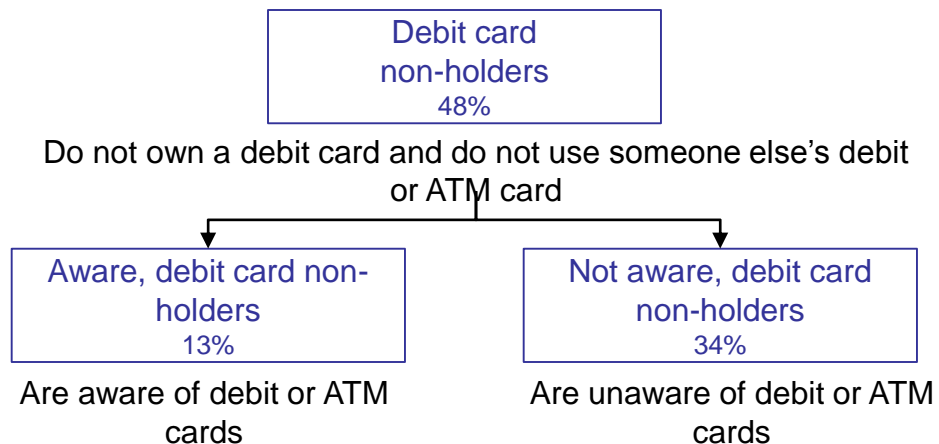
What are the reasons that is driving your interest in an ATM/debit card?¹

(answered by aware debit card non-holders interested in adoption, % indexed to highest ranked option, multiple options accepted)



(1) N=156, There were a total of 22 options presented to respondents, only the top 8 responses are shown
Source: USAID Digital Payment Survey with consumers, N=1648

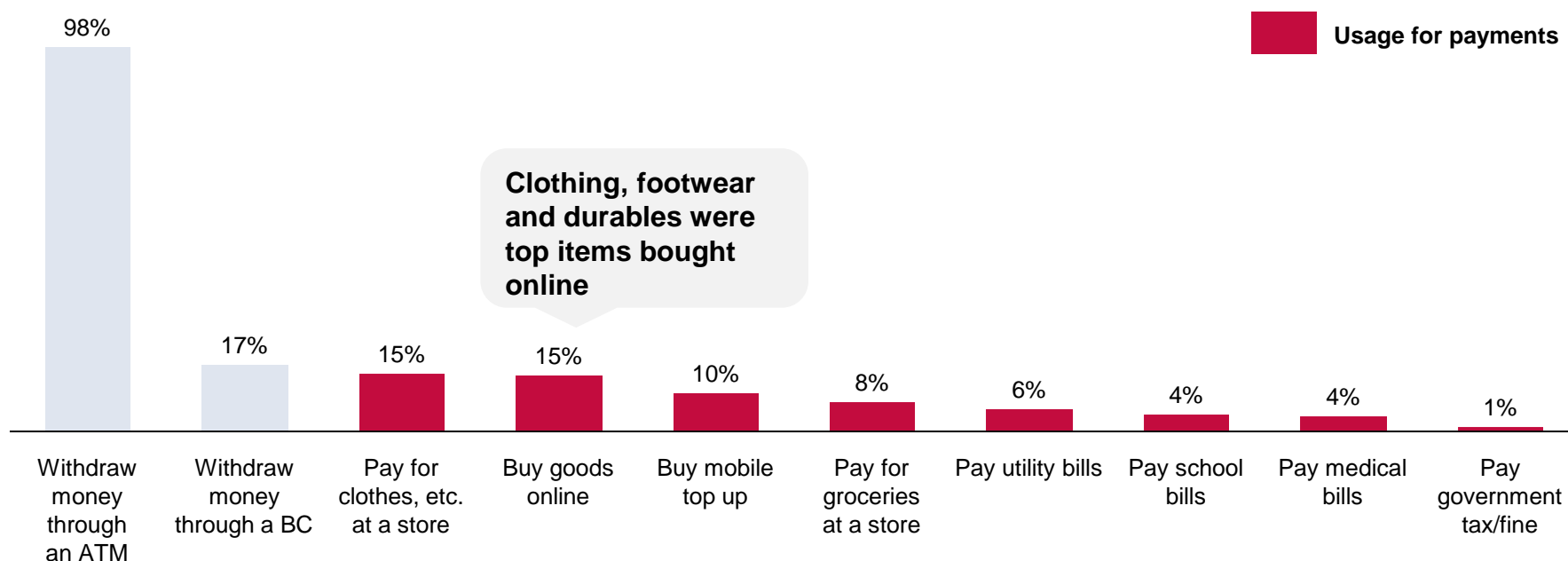
We analysed awareness, interest and usage across different types of debit card users



Key- % represents our sample composition

Only a small proportion of active debit card holders actually used their cards to pay for goods and services

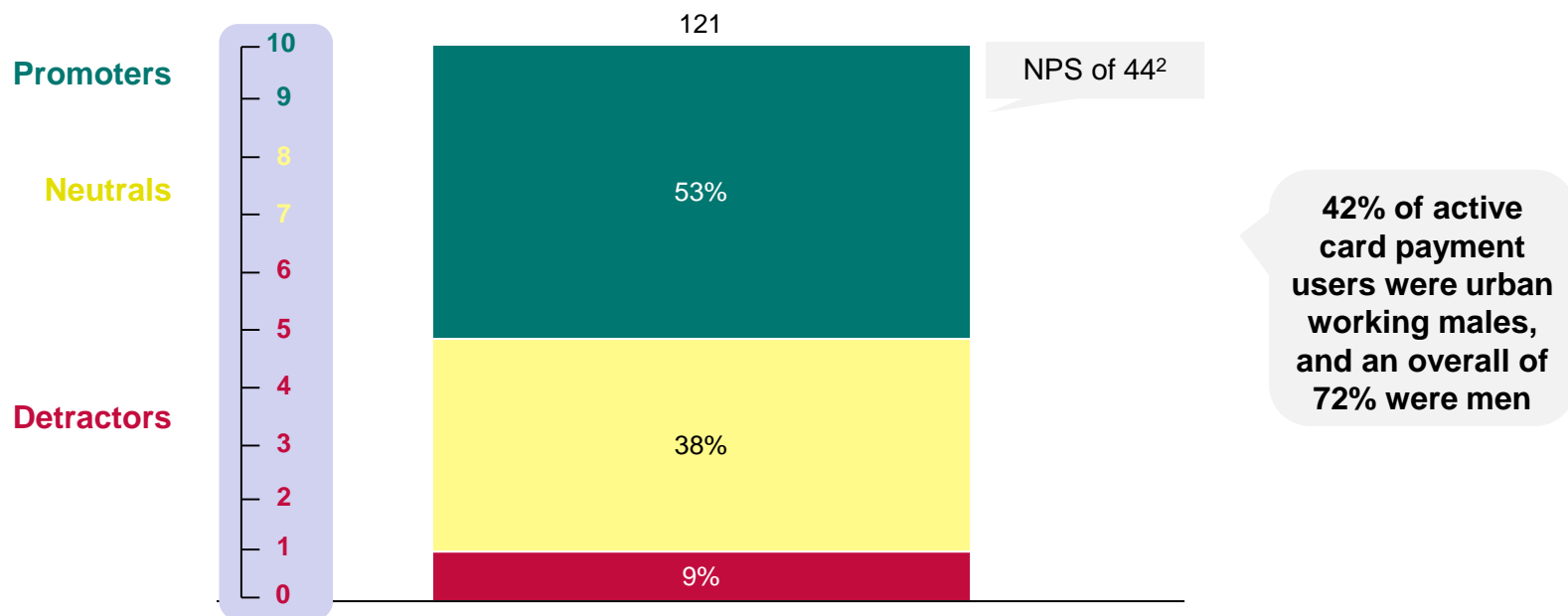
In the past 90 days, have you used this debit or ATM card for the following activities?¹
(answered by active debit card users² multiple options accepted)



Active card payment users were generally very satisfied with their cards

On an ascending scale of 0-10, how likely are you to recommend your debit card?

(% of active card payment¹ users)

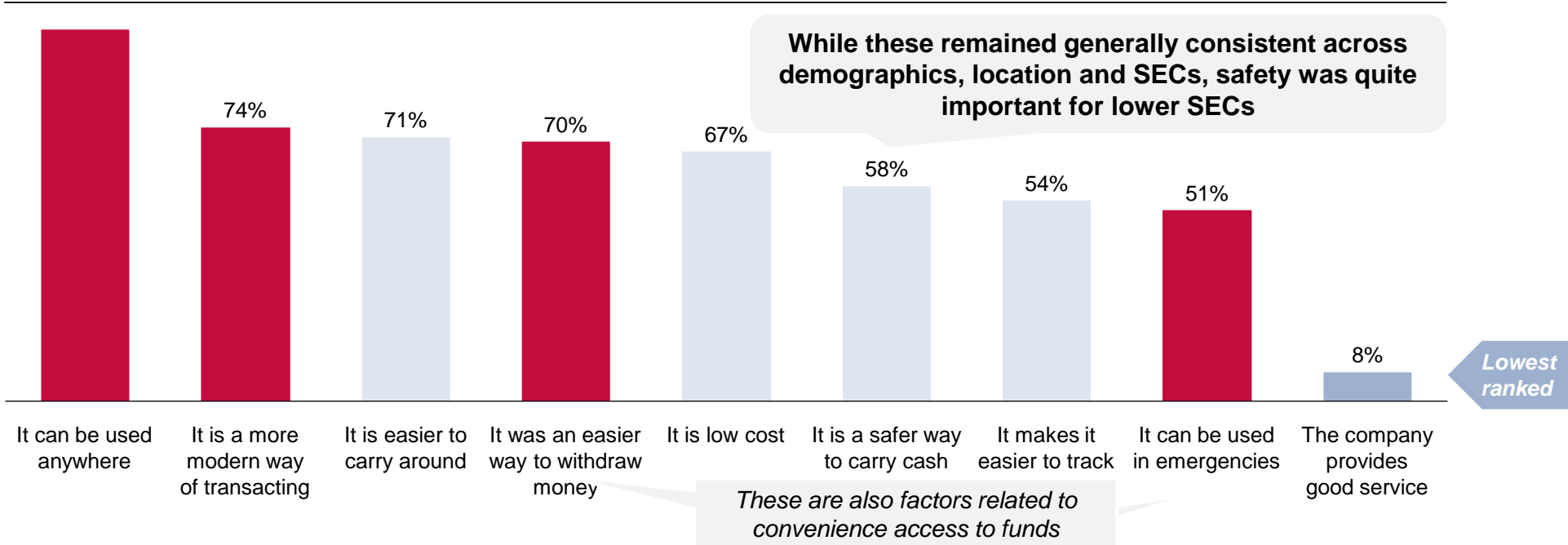


(1) N=121. Active card payment users are defined as those who have used their debit cards in the last ninety days for shopping. (2) NPS refers to the Net Promoter Score, a cross-industry measure of consumer loyalty. It is calculated by subtracting the percentage of customers who are Detractors from the percentage of customers who are Promoters. Source: USAID Digital Payment Survey with consumers, N=1648

Convenient access to funds and modernity were key drivers of satisfaction

Why would you recommend your debit card¹?

(answered by active card payment users² in the promoter and neutral³ category, % indexed to highest ranked option, multiple options accepted)

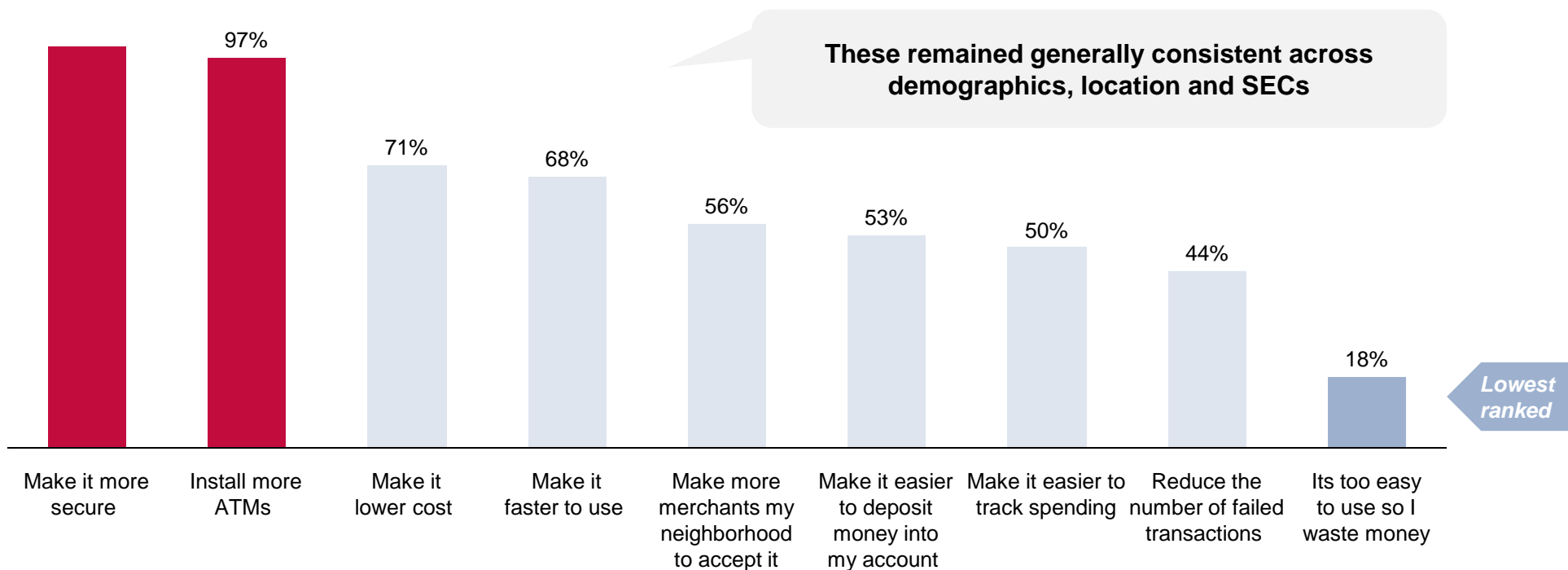


(1) N=110, There were a total of 19 options presented to respondents, only the top 8 responses are shown; (2) Active card payment users are those who have used their debit card in the last ninety days for shopping (3) Those who responded between 7-10 to the question "On an ascending scale of 0-10, how likely are you to recommend your debit card?" were asked this question

The relatively smaller proportion of detractors would like improvements in security and ATM coverage

What are the ways in which your experience with debit cards can be improved?¹

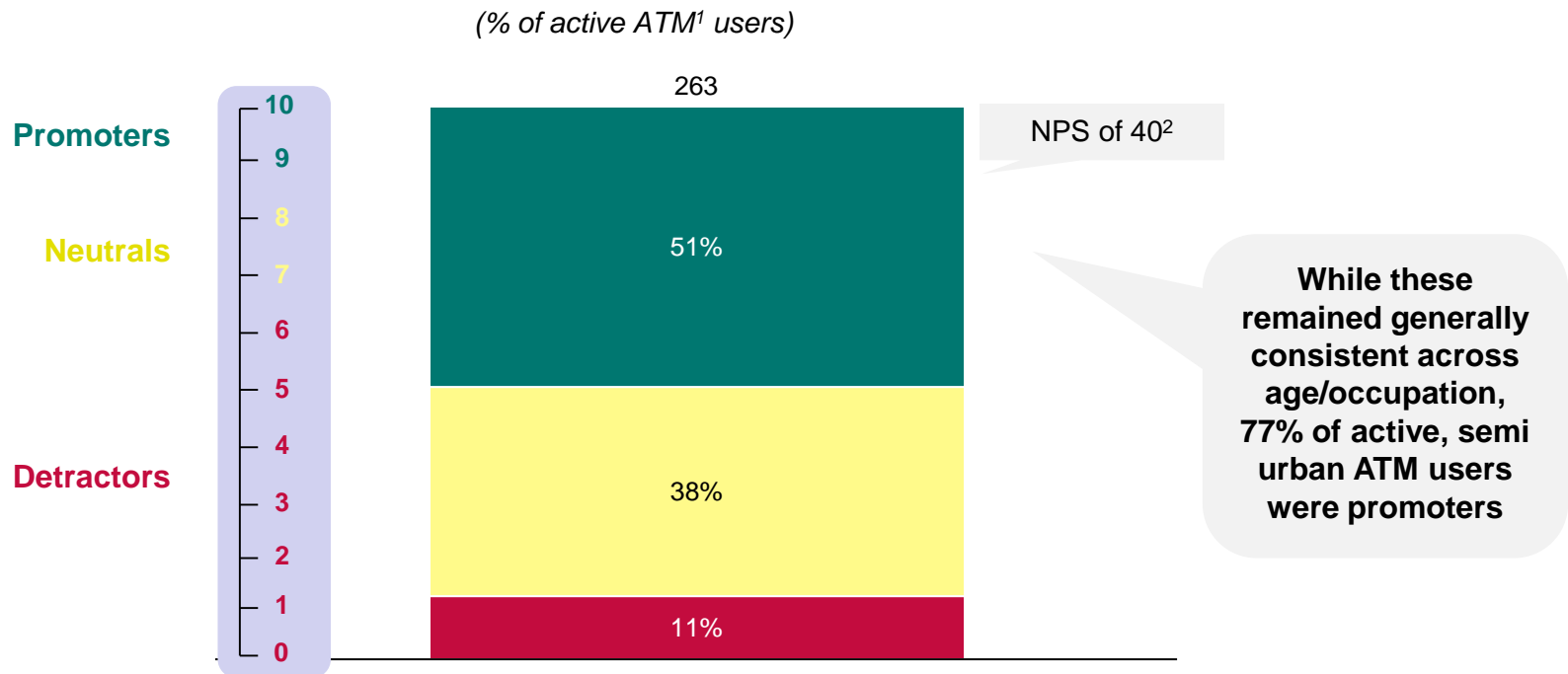
(answered by active card payment users² in the detractors and neutral³ category, % indexed to highest ranked option, multiple options accepted)



(1) N=57, There were a total of 15 options presented to respondents, only the top 8 responses are shown; (2) Active card payment users are defined as those who have used their debit card in the last ninety days to shop (3) Asked to those who responded between 0-8 to the question "On an ascending scale of 0-10, how likely are you to recommend your debit card?" Source: USAID Digital Payment Survey with consumers, N=1648

Active ATM users were also very satisfied with their cards

On an ascending scale of 0-10, how likely are you to recommend your debit card?



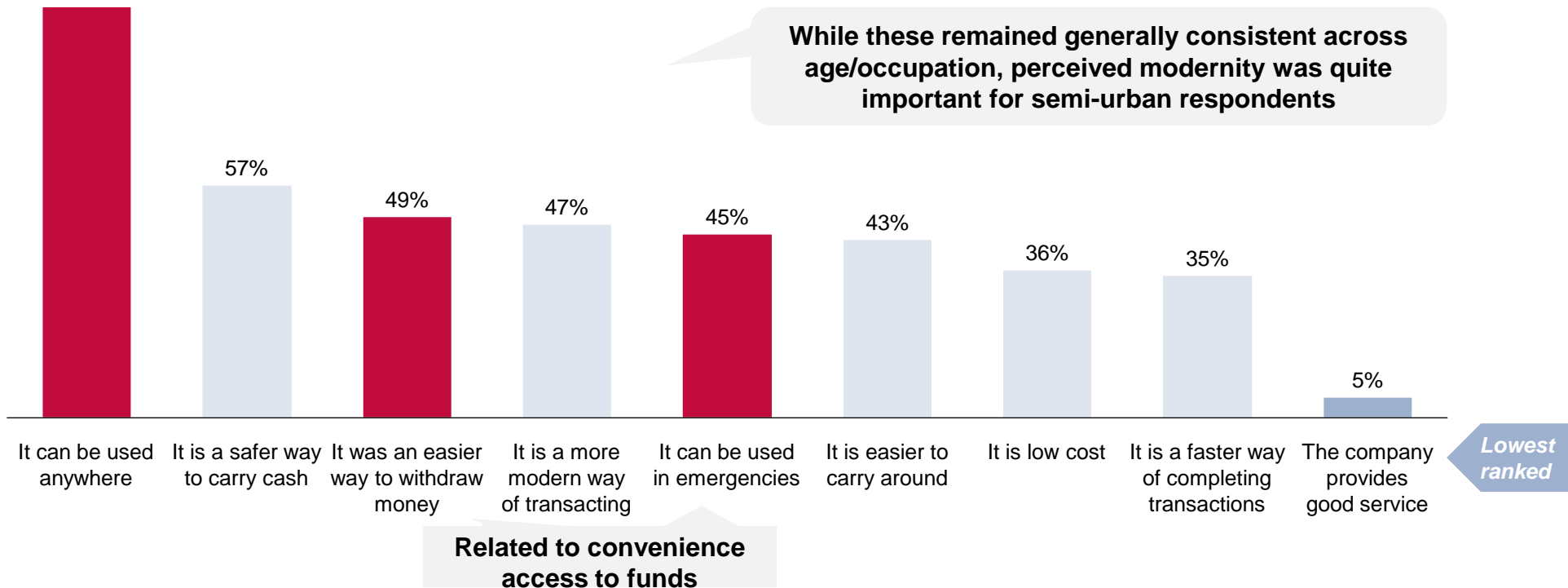
(1) Active ATM users are defined as those who have used their debit cards in the last ninety days exclusively for withdrawing money, N=263. (2) NPS refers to the Net Promoter Score, a cross-industry measure of consumer loyalty. It is calculated by subtracting the percentage of customers who are Detractors from the percentage of customers who are Promoters.

Source: USAID Digital Payment Survey with consumers, N=1648

Once again, convenient access to funds was the driver of satisfaction

Why would you recommend your debit card¹?

(answered by active ATM users² in the promoter and neutral³ category, % indexed to highest ranked option, multiple options accepted)

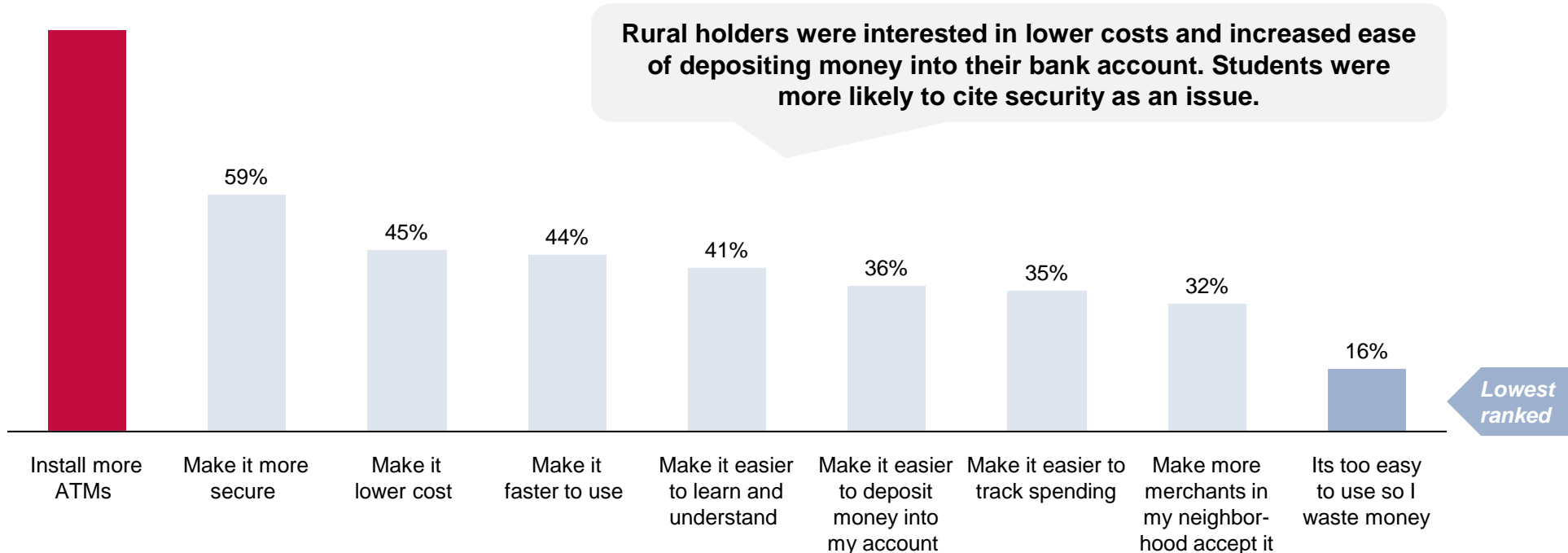


(1) N=233, There were a total of 19 options presented to respondents, only the top 8 responses are shown; (2) Active ATM users are those who have used their debit card in the last ninety days exclusively for withdrawing money; (3) Those who responded between 7-10 to the question "On an ascending scale of 0-10, how likely are you to recommend your debit card?" were asked this question

An increased ATM network was the key improvement sought by ATM users

What are the ways in which your experience with debit cards can be improved?¹

(answered by active ATM users² in the detractors and neutral³ category, % indexed to highest ranked option, multiple options accepted)

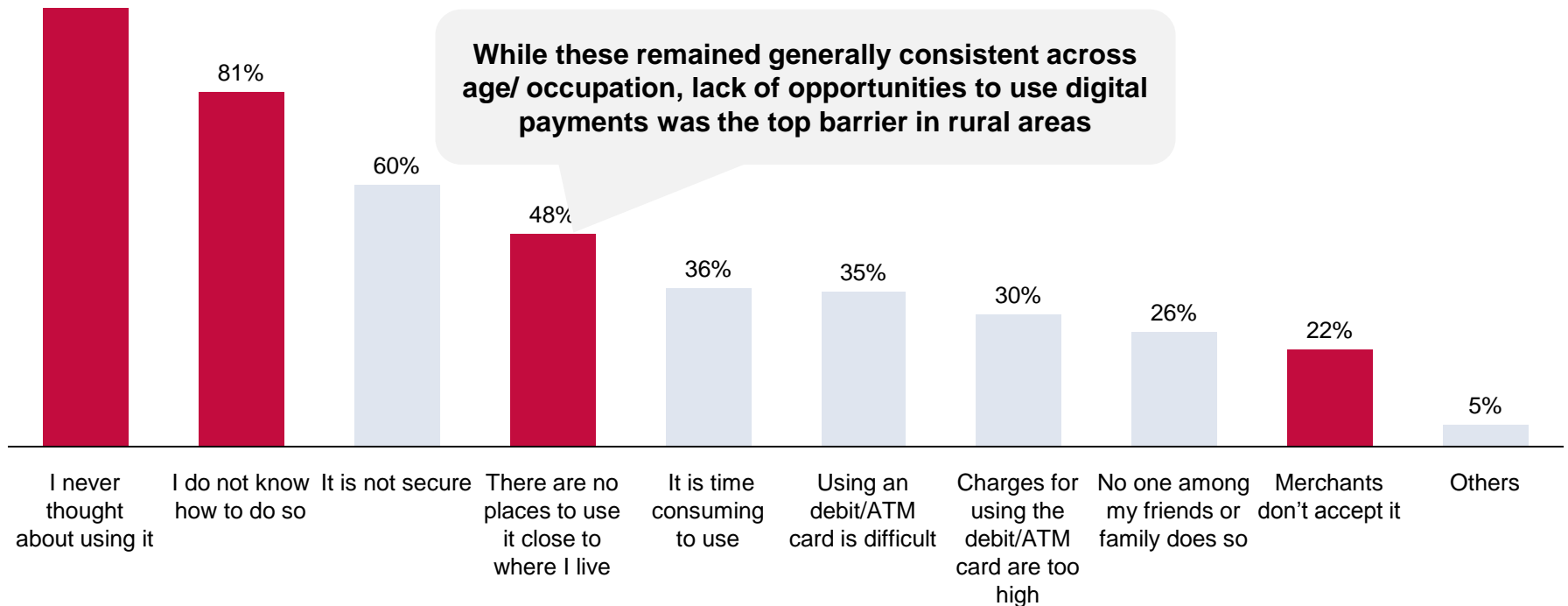


(1) N=130, There were a total of 15 options presented to respondents, only the top 8 responses are shown; (2) Active ATM users are defined as those who have used their debit card in the last ninety days exclusively to withdraw money (3) Asked to those who responded between 0-8 to the question "On an ascending scale of 0-10, how likely are you to recommend your debit card?" 32

Limited opportunities to try payments around them is the key barrier to payments use among ATM users

Why haven't you used your debit card to make any payments?¹

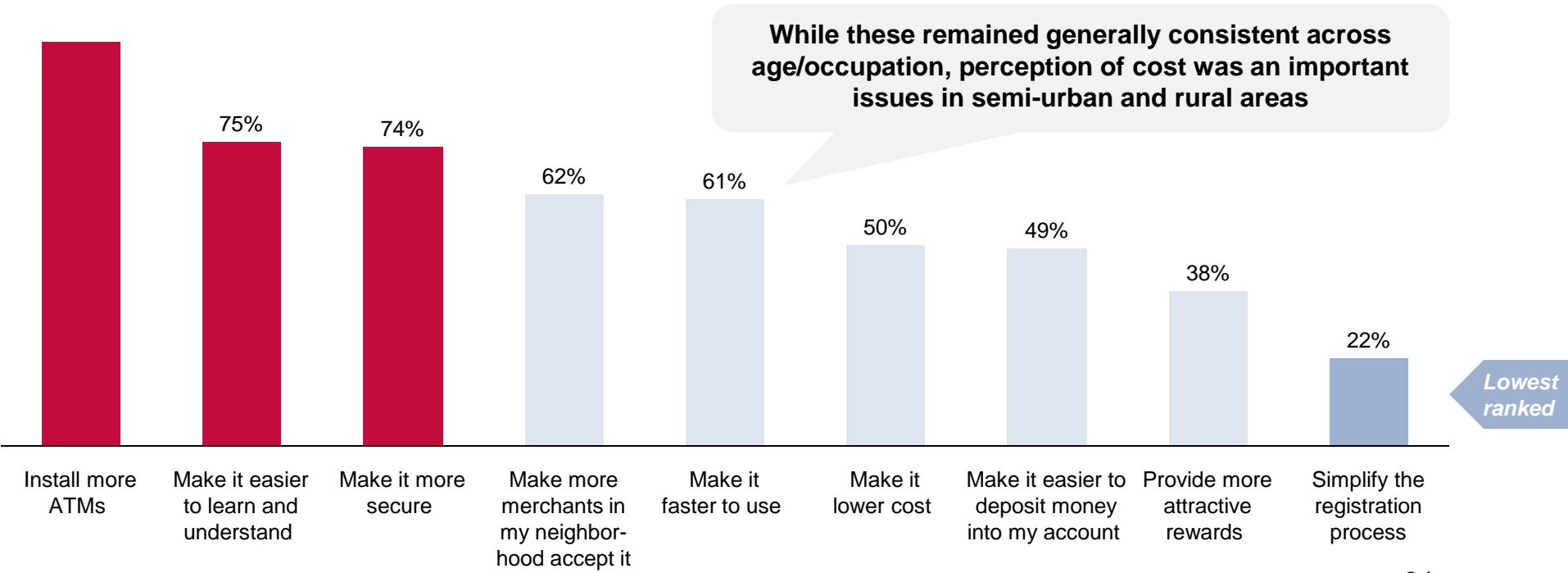
(answered by active ATM users², indexed to highest ranked option, multiple options accepted)



(1) N=262; (2) Active ATM users are defined as those who have used their debit card in the last ninety days exclusively for withdrawing money
Source: USAID Digital Payment Survey with consumers, N=1648

Inactive users sought more ATMs, increased security and ease of use

What are the ways in which your experience with debit cards can be improved?¹
(answered by inactive debit card holders² in the detractors and neutral³ category, % indexed to highest ranked option, multiple options accepted)

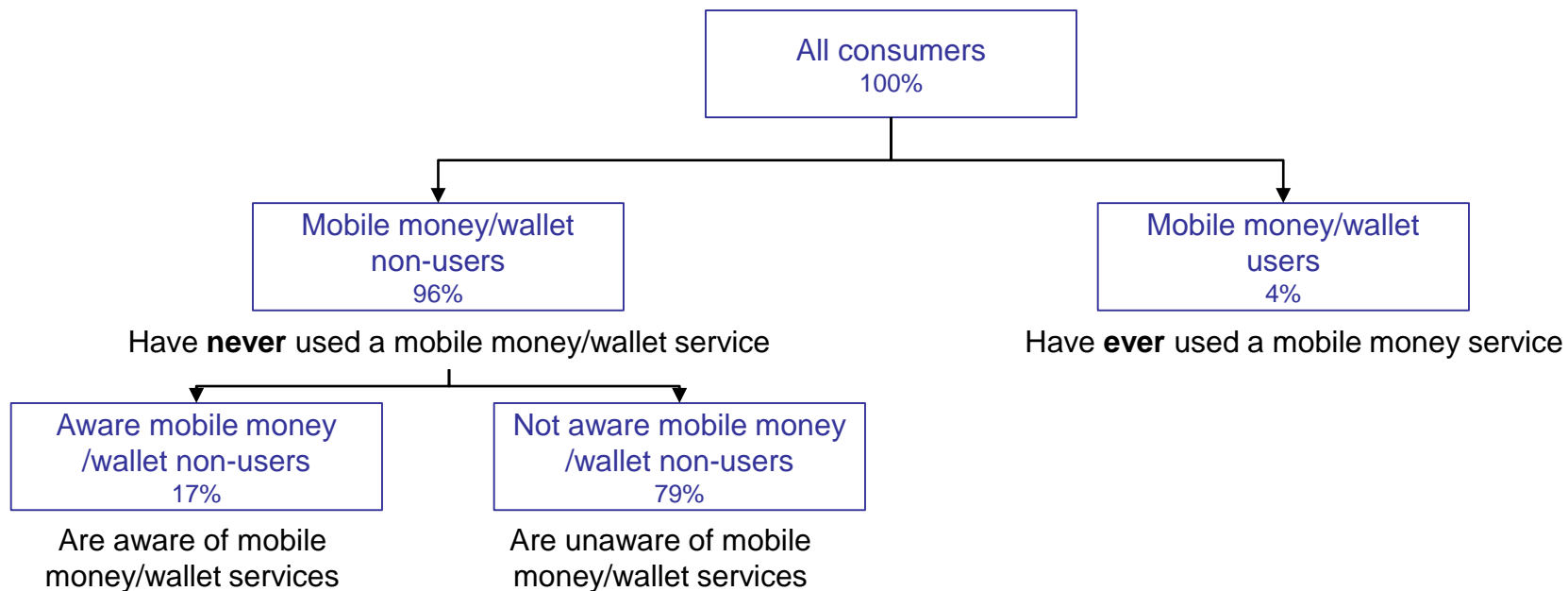


(1) N=260, There were a total of 15 options presented to respondents, only the top 8 responses are shown; (2) Inactive debit card users are defined as those who have a debit card, but have not used it in the last ninety days (3) Asked to those who responded between 0-8 to the question "On an ascending scale of 0-10, how likely are you to recommend your debit card?" Source: USAID Digital Payment Survey with consumers, N=1648

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We analysed awareness, interest and usage among mobile money users and non-users

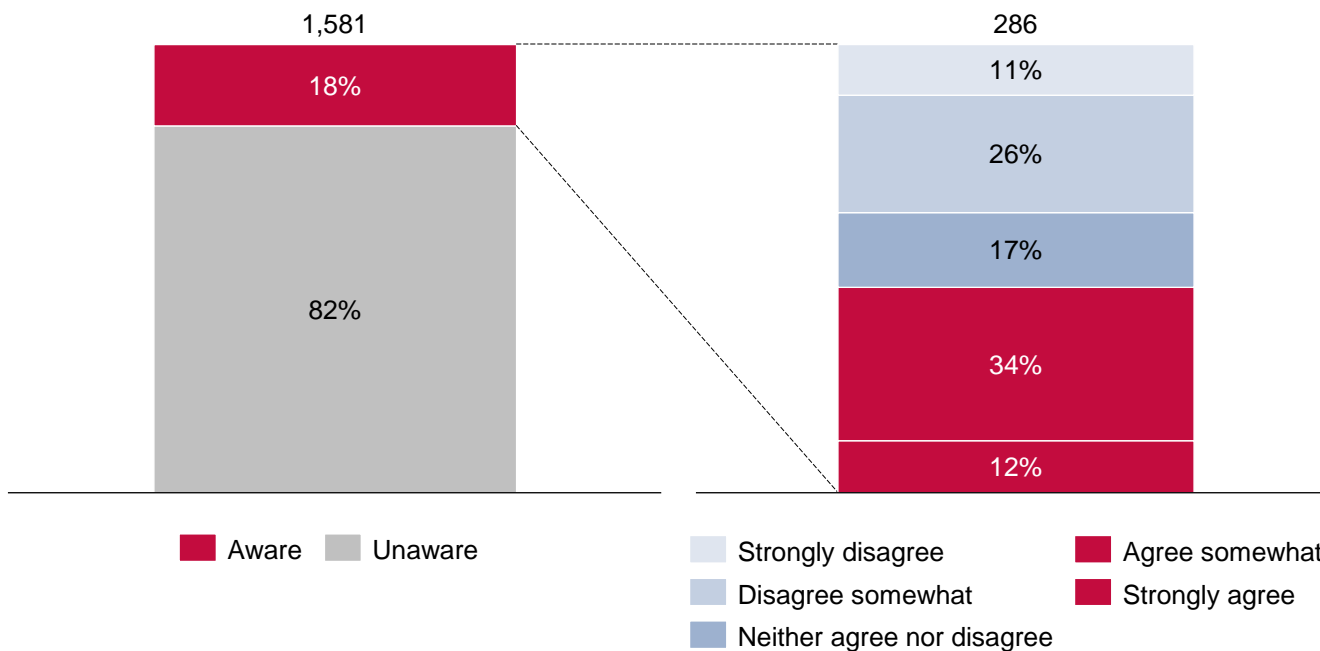


Key- % represents our sample composition

Awareness of and interest in adoption of mobile money/wallets among non-users is low

Do you know that you can transfer money using mobile money/ wallets?¹
(answered by non mobile money/wallet users)

I am interested in being able to pay for goods and services using mobile/money wallets²
(% of aware non-users of mobile money/wallets)



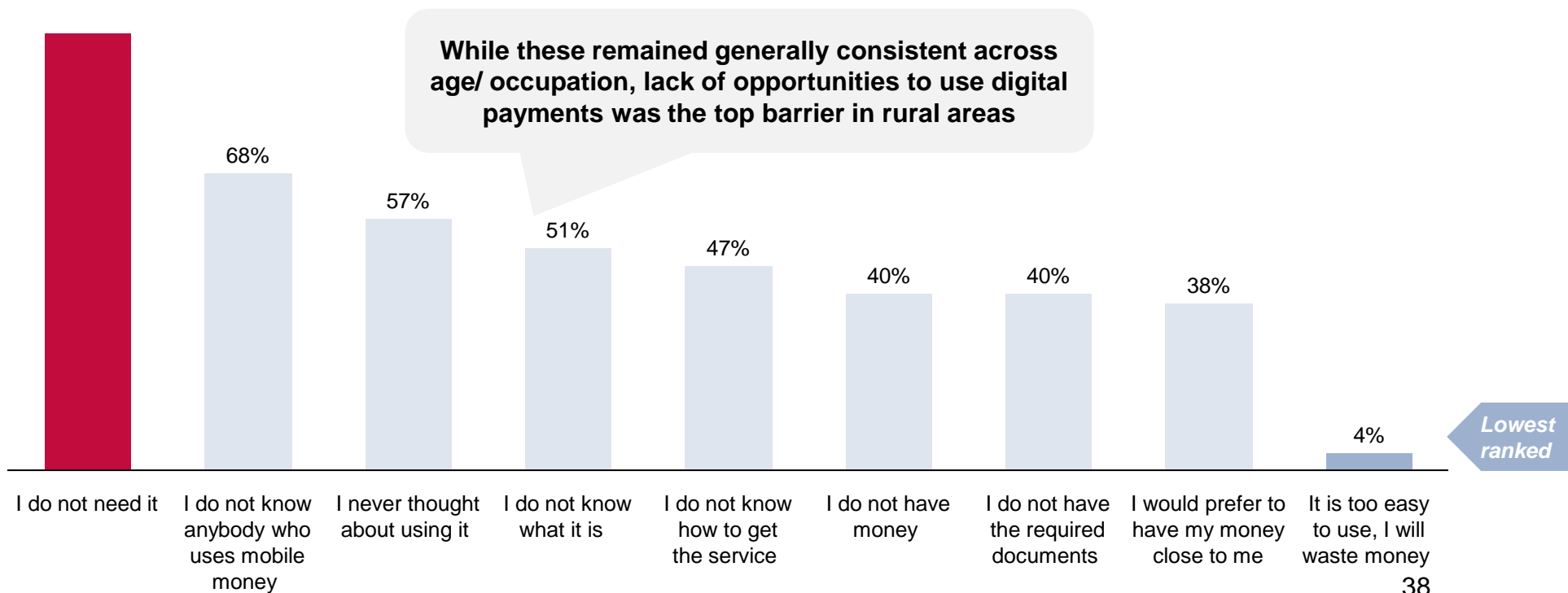
- Awareness of and interest in mobile money decreases with age.
- Active bank accounts holders were 2.2 times more likely to be aware and 1.4 times more likely to be interested in adopting mobile money.
- Awareness among urban B2 SECs (40%) is twice that among other urban SECs. Awareness among rural SECs is uniformly low (~10%).

(1) N=1581, (2) N=286
 Source: USAID Digital Payment Survey with Consumers, N=1648

Low perceived utility drives lack of interest in mobile money adoption

Why are you not interested in making payments through mobile money/wallets?¹

(answered by aware, uninterested non-users of mobile money/wallets, % indexed to highest ranked option, multiple answers accepted)

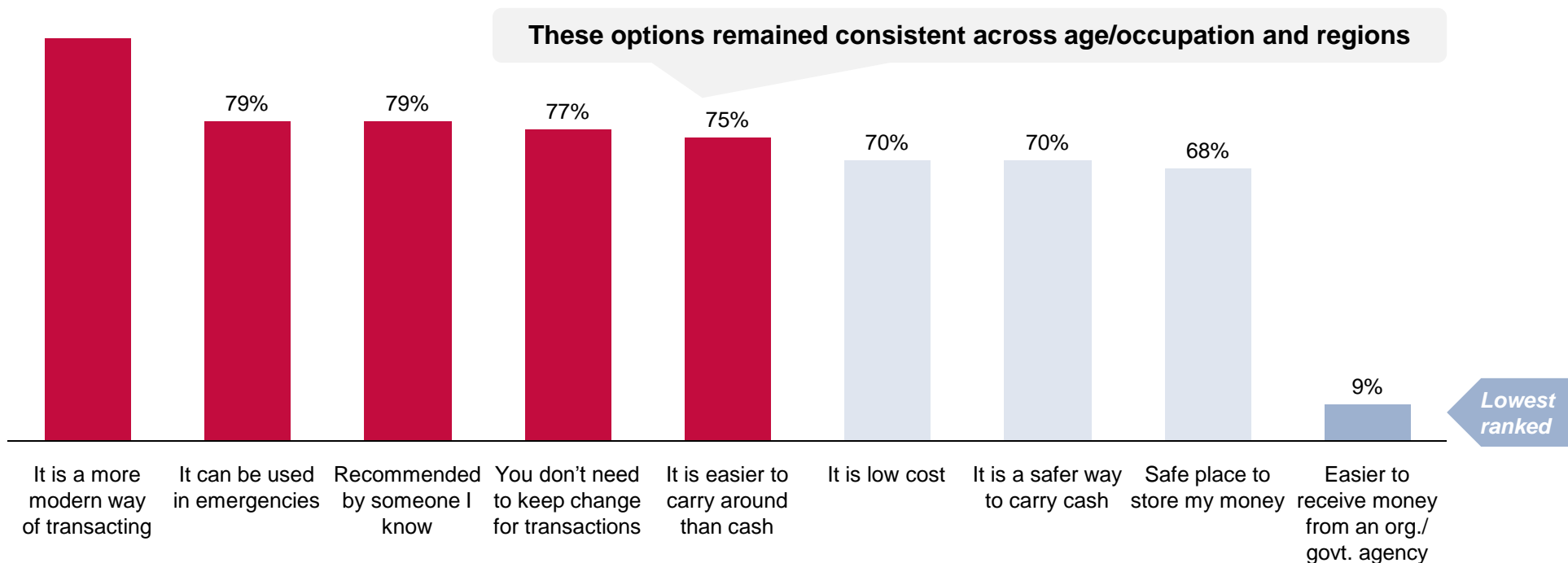


(1) N=155, There were 29 options presented to respondents, only the top 8 options are shown here; There weren't enough respondents to cut the data by semi-urban and rural respondents, along with housewives and students
Source: USAID Digital Payment Survey with Consumers, N=1648

A perception of “modernity” drove interest in mobile money usage

Why are you interested in making payments through mobile money/wallets?¹

(answered by aware and interested non-users of mobile money/wallets, % indexed to highest option, multiple answers accepted)

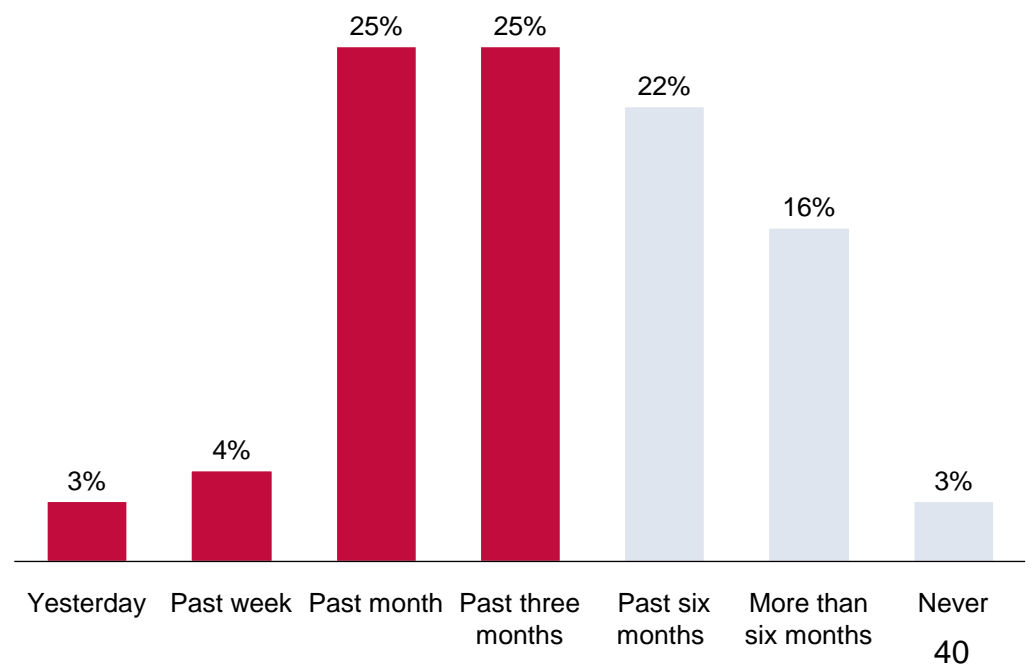
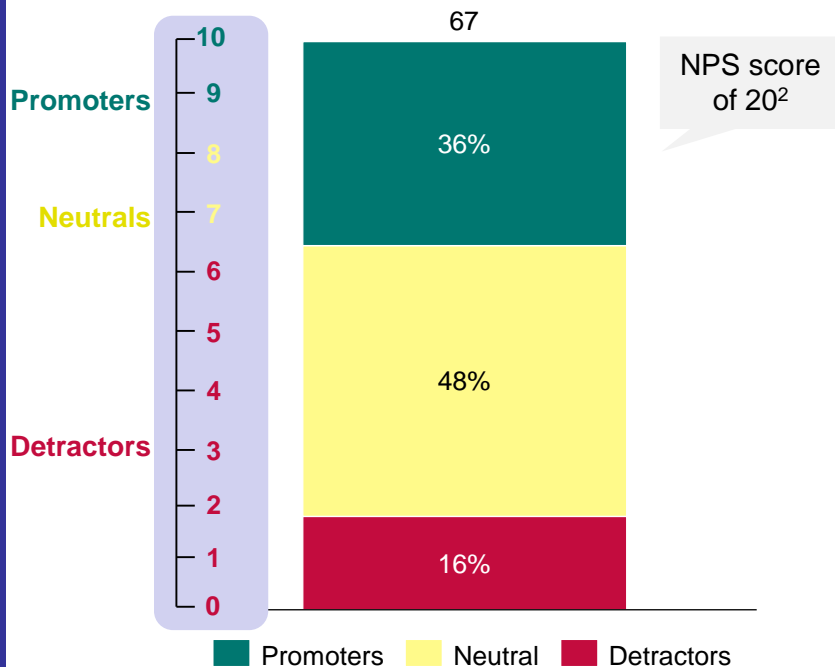


(1) N=179, There were 29 options presented to respondents, only the top 8 options are shown here; There weren't enough respondents to cut the data by semi-urban and rural respondents

Mobile money/wallet users were generally satisfied and ~60% used the instrument in the last 3 months

On an ascending scale of 0-10, how likely are you to recommend your mobile money/wallet?¹
 (% of mobile money users)

When was the last time you used your mobile money/wallet for any financial activity?¹
 (answered by users of mobile money/wallets)

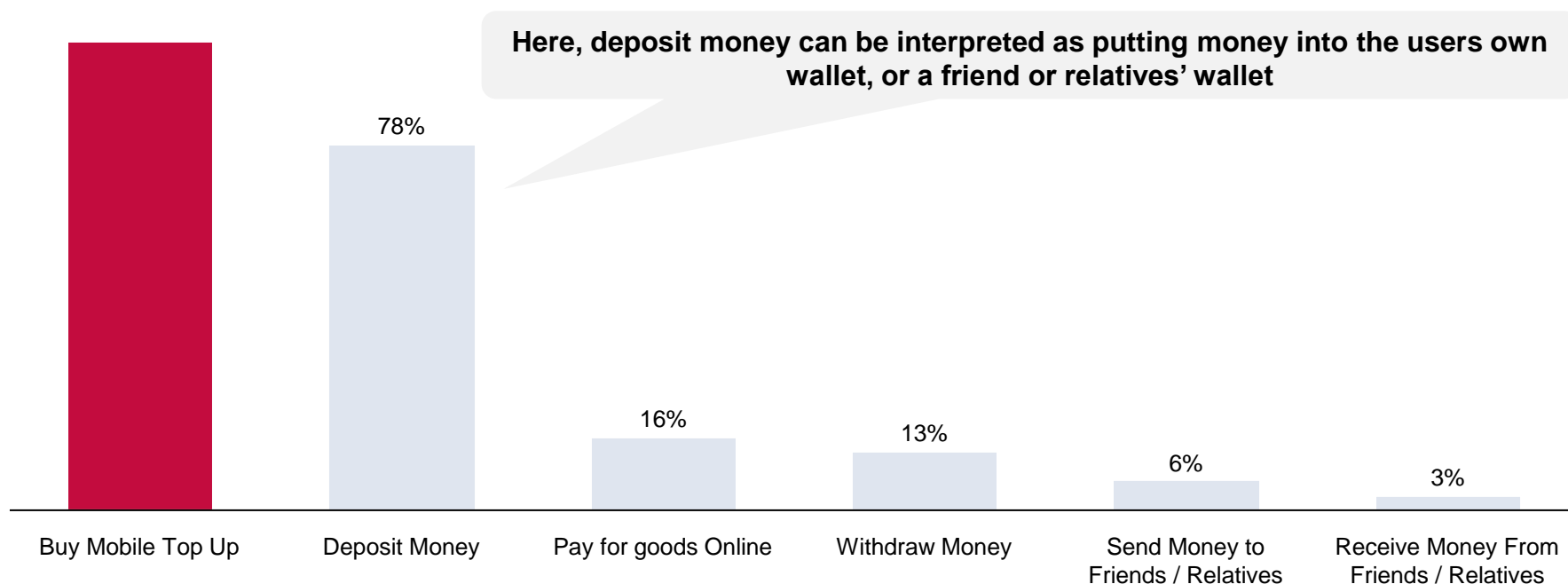


(1) N=67, (2) NPS refers to the Net Promoter Score, a cross-industry measure of consumer loyalty. It is calculated by subtracting the percentage of customers who are Detractors from the percentage of customers who are Promoters.

In our sample, mobile money was primarily used to buy mobile top-ups

In the past 90 days, have you used mobile money/wallets for the following activities?¹

(answered by users of mobile money/wallets who have used it in the last three months, multiple answers accepted)



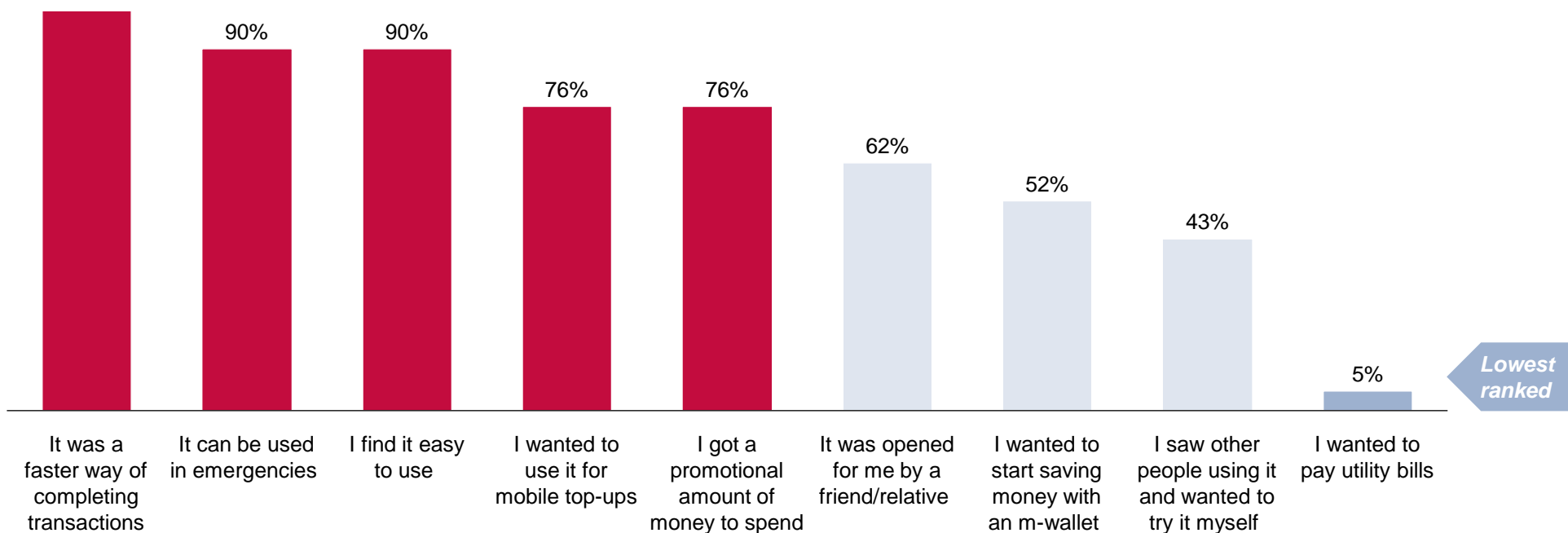
(1) N=67

Source: USAID Digital Payment Survey with consumers, N=1648

Speed, ease of use, and utility in emergencies were major reasons for adoption

Why did you start using mobile money/wallets?¹

(answered by mobile money/wallet users, % indexed to highest ranked option, multiple options accepted)

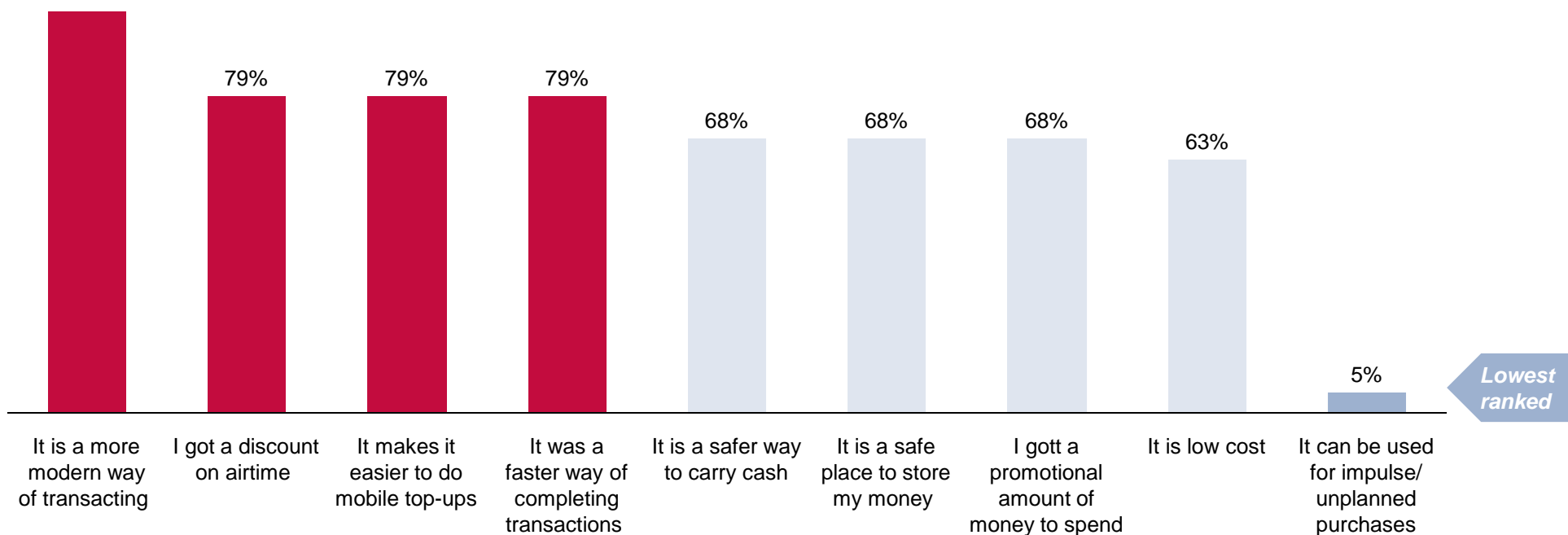


(1) N=67, There were a total of 26 options presented to respondents, only the top 8 responses are shown;
Source: USAID Digital Payment Survey with consumers, N=1648

Users recommended wallets for their “modernity”, but also for their speed and the availability of discounts

Why would you recommend your mobile money/wallet?¹

(answered by mobile money/wallet users who were promoters and neutral², indexed to highest ranked option, multiple options accepted)



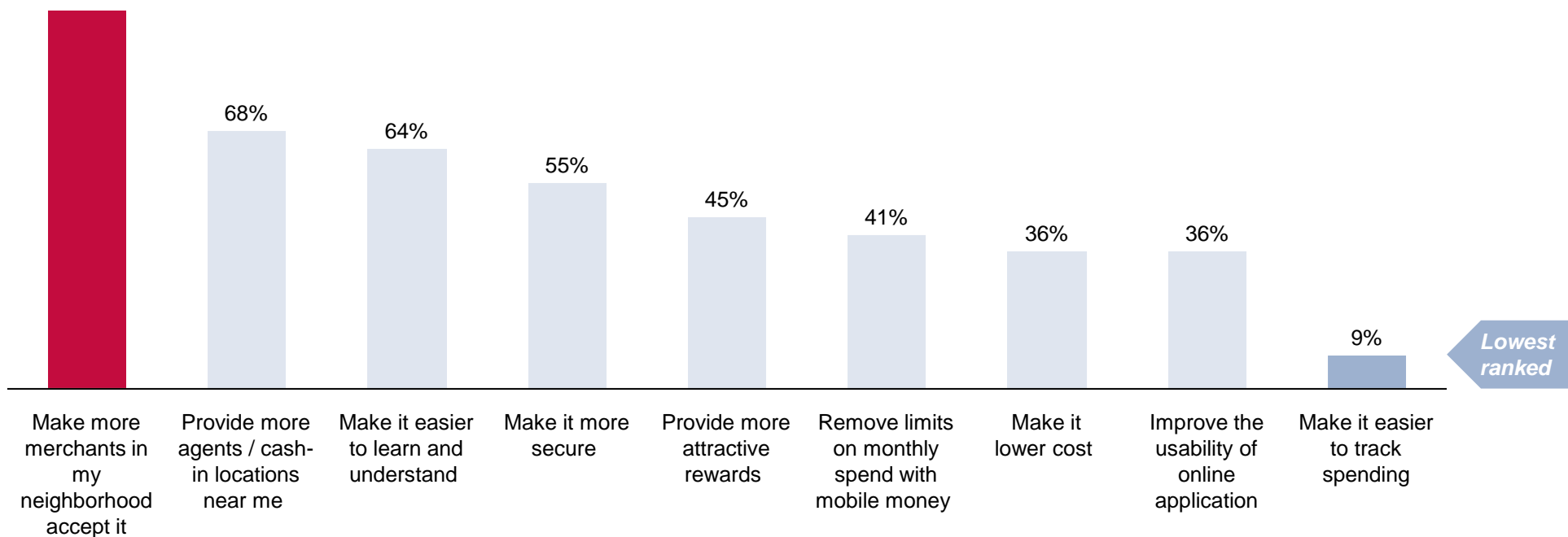
(1) N=56, 26 options were presented to the respondents, the top 8 are shown here (2) Asked to those who responded between 7-10 to the question “On an ascending scale of 0-10, how likely are you to recommend this service to someone?”

Source: USAID Digital Payment Survey with consumers, N=1648

Users believe wider acceptance was the main area for improvement

What are the ways in which your experience with mobile money/wallet can be improved?¹

(answered by mobile money/wallet users who were detractors and neutral², indexed to highest ranked option, multiple options accepted)



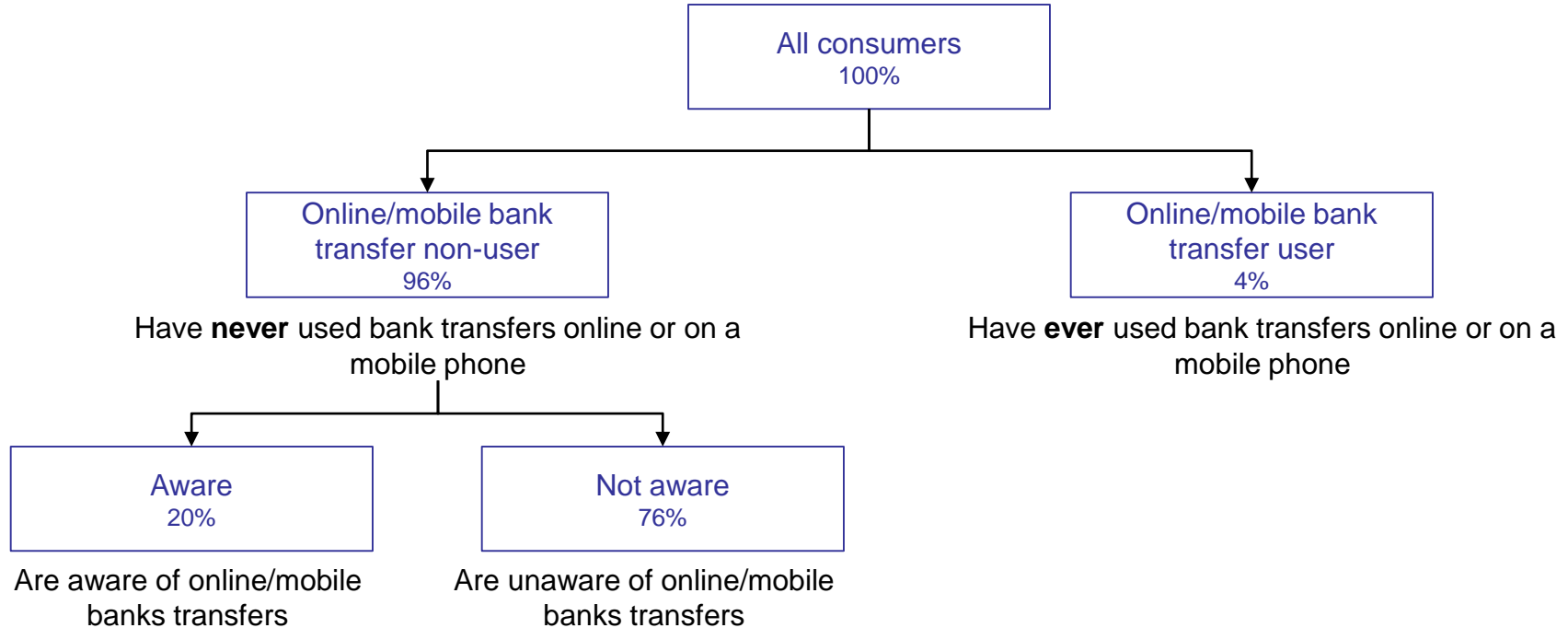
(1) N=43, 18 options were presented to the respondents, the top 8 are shown here (2) Asked to those who responded between 0-8 to the question "On an ascending scale of 0-10, how likely are you to recommend this service to someone?"

Source: USAID Digital Payment Survey with consumers, N=1648

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 - Insights on online/mobile bank transfer usage
 - Opportunity areas to accelerate adoption among consumers
- Attitudes and behaviors towards digital payments among merchants

We analysed awareness, interest and usage among online/mobile bank transfer users and non-users

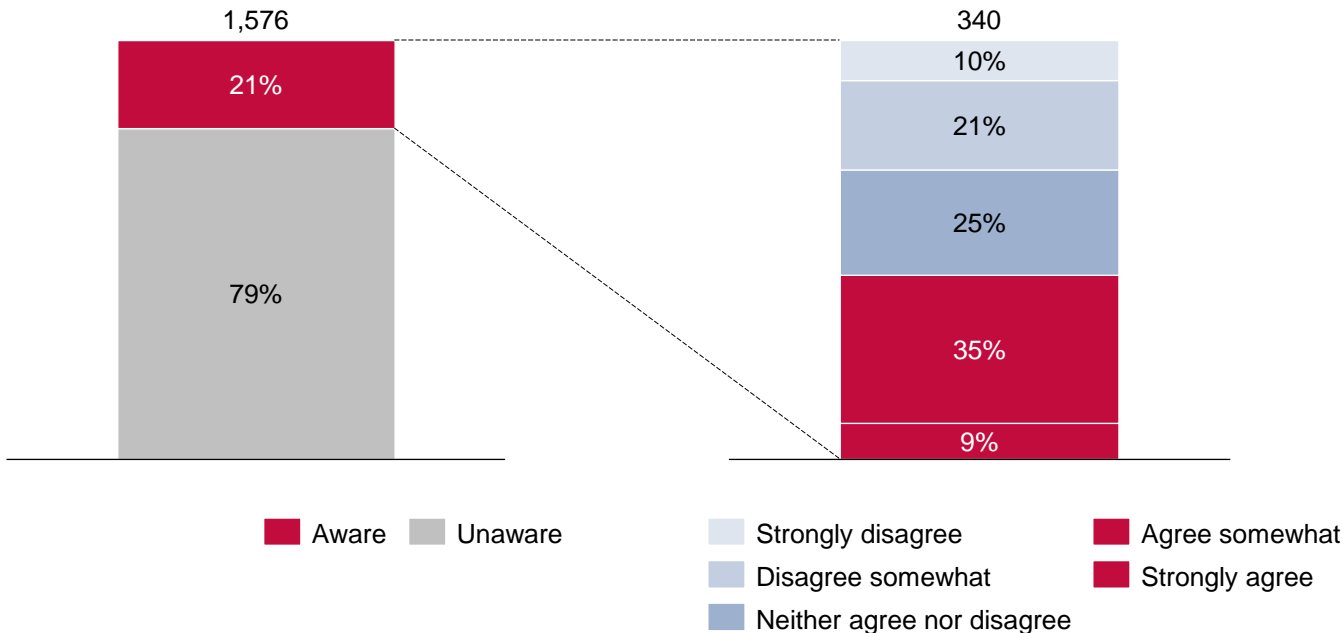


Key- % represents our sample composition

Awareness and interest in adoption among non-users is low

Are you aware of mobile/online bank transfers?¹
(answered by non mobile/online bank transfer users)

I am interested in using my mobile phone /computer to make bank transfers²
% of non users of mobile/online bank transfers

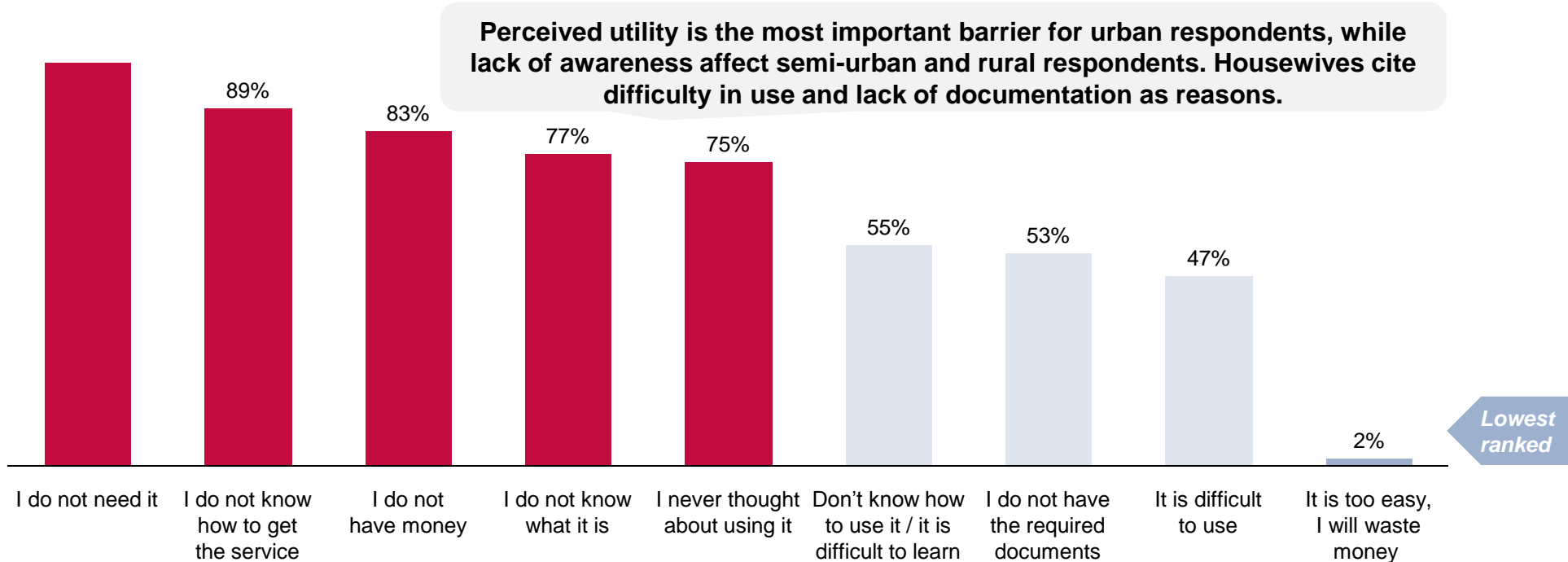


- Active bank accounts holders were 3.3 times more likely to be aware and 1.5 times more likely to be interested in adopting mobile/online bank transfers
- Awareness of bank transfers is twice as high among SEC B2 (~40%), as among other SECs
- Awareness of bank transfers is higher among students and working professionals, and younger respondents (<35 years)

Note: (1) N=1576, (2) N=340
 Source: USAID Digital Payment Survey with Consumers, N=1648

Low perceived utility and financial inability, and a general lack of awareness affect interest in adoption

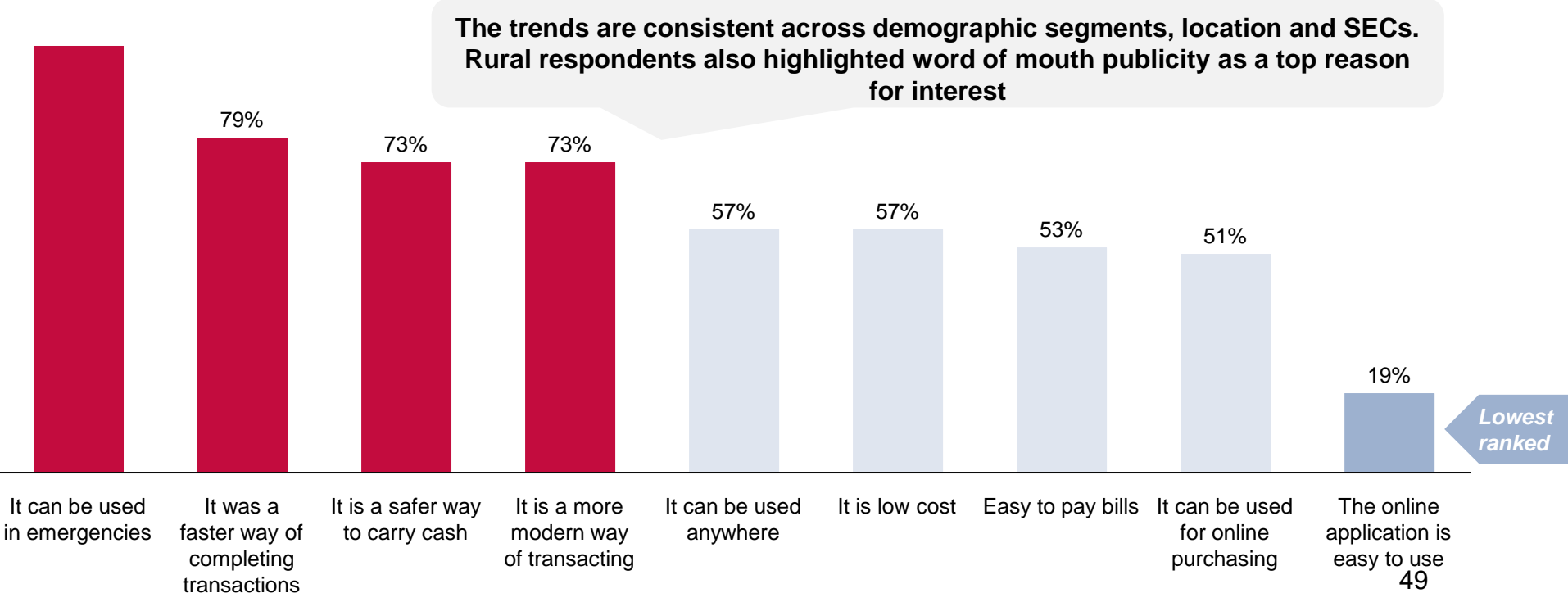
What adversely affects your interest in using your mobile phone / computer to make bank transfers?¹
(answered by aware, uninterested non-users of mobile/online bank transfers, % indexed to highest ranked option, multiple answers accepted)



(1) N=190, There were 29 options presented to the respondents, the top 8 responses are shown here
 Source: USAID Digital Payment Survey with Consumers, N=1648

Use in emergencies, faster transaction speed, safety and modernity drive interest in adoption

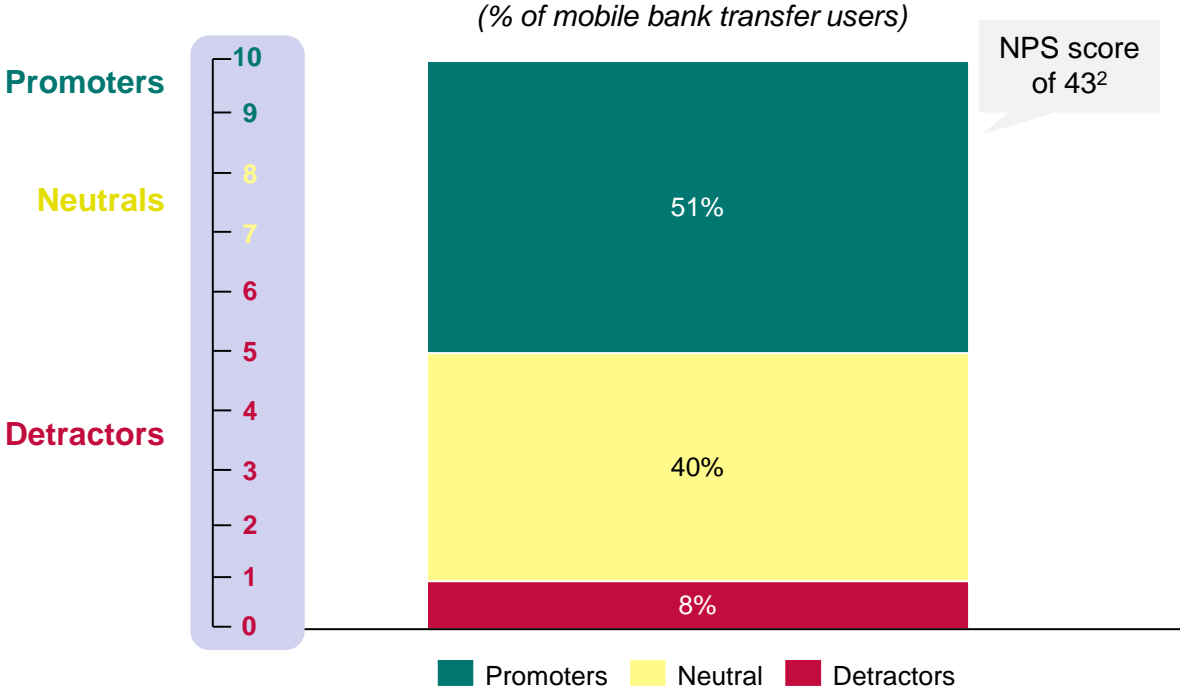
What are the reasons driving your interest in using your mobile phone / computer to make bank transfers?¹
(answered by aware and interested mobile/online bank transfers non users, % indexed to highest option, multiple answers accepted)



(1) N=235, There were 22 options presented to the respondents, the top 8 responses are shown here
 Source: USAID Digital Payment Survey with Consumers, N=1648

Most users would highly recommend using online/mobile bank transfers

On an ascending scale of 0-10, how likely are you to recommend this service?¹

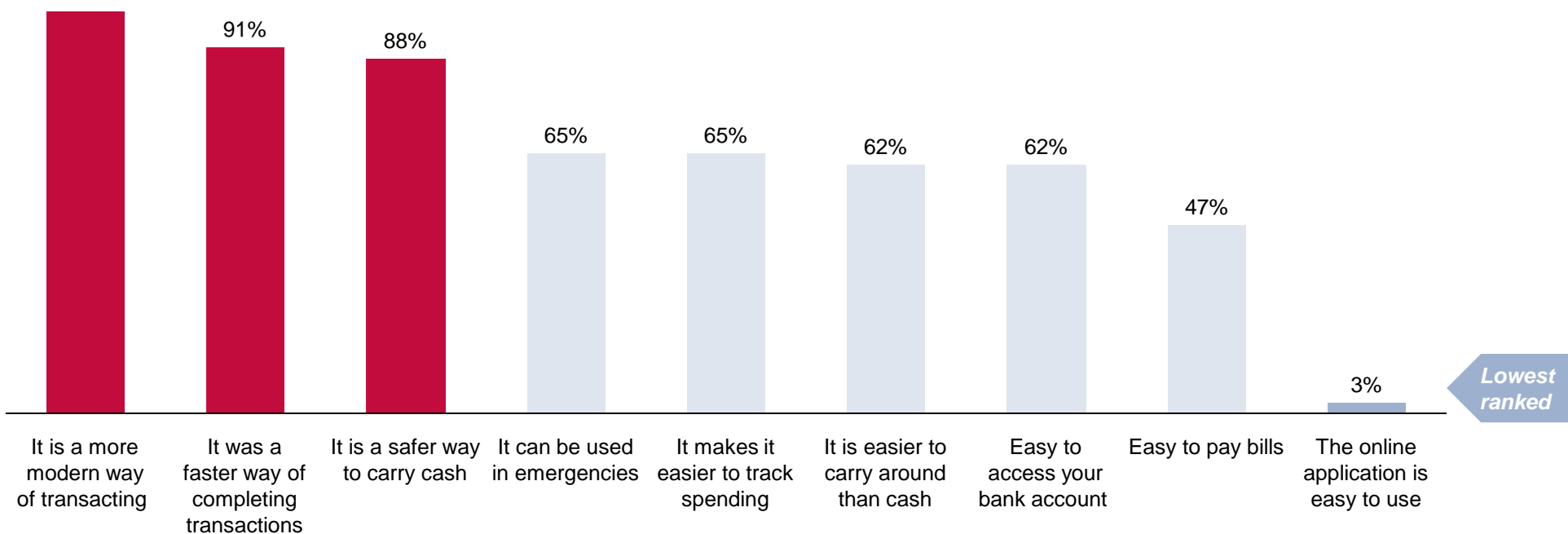


(1) N=72
Source: USAID Digital Payment Survey with consumers, N=1648

This was primarily because they considered the instrument to be modern, faster and safer

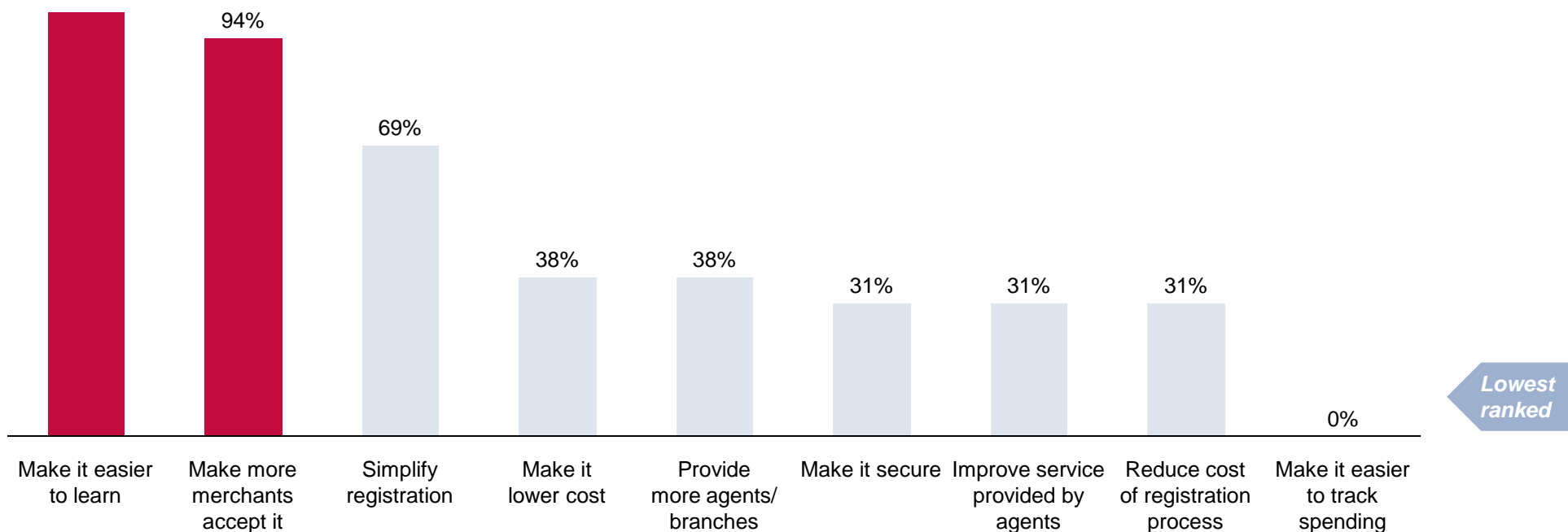
Why would you recommend your mobile/online bank transfer payment services?¹

(answered by mobile/online bank transfer users², indexed to highest ranked option, multiple options accepted)



The relative minority of detractors would like the instrument to be easier to learn and accepted broadly

What are the ways in which your experience with mobile/online bank transfer payment services can be improved?¹
(answered by mobile/online bank transfer users², indexed to highest ranked option, multiple options accepted)



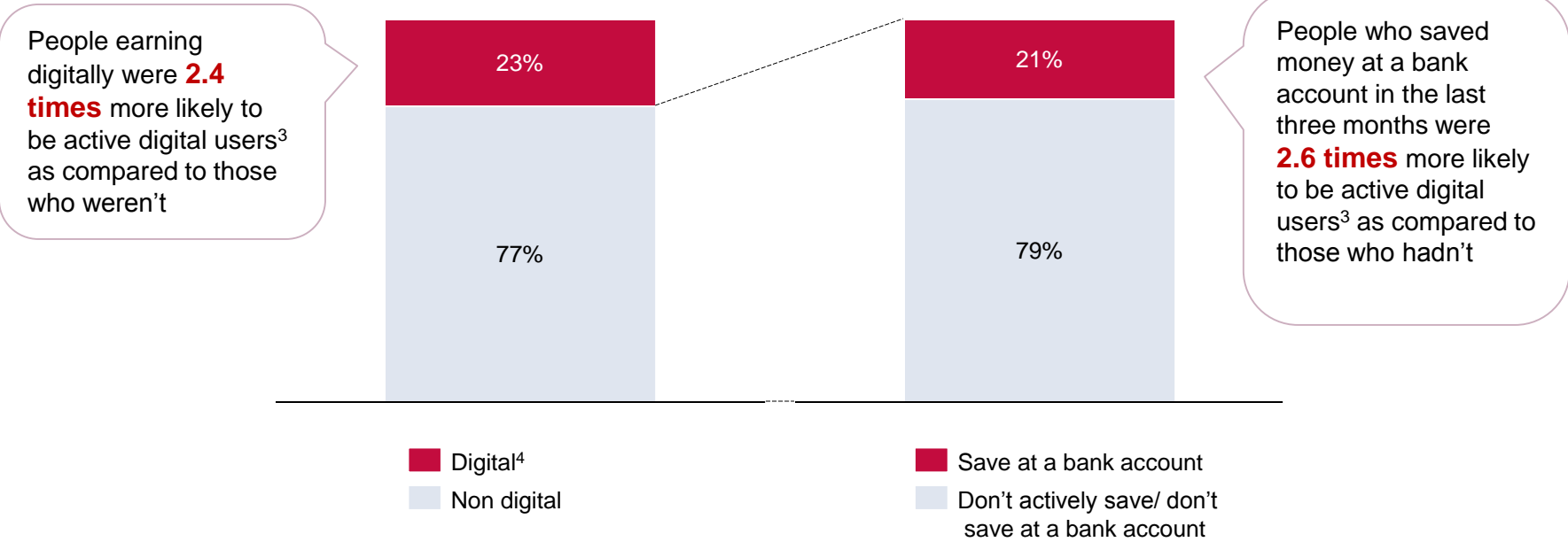
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- Attitudes and behaviors towards digital payments among merchants

Using digital payments is often inconvenient for non-users who neither receive nor store money digitally

Form of receiving income¹
(% of total respondents)

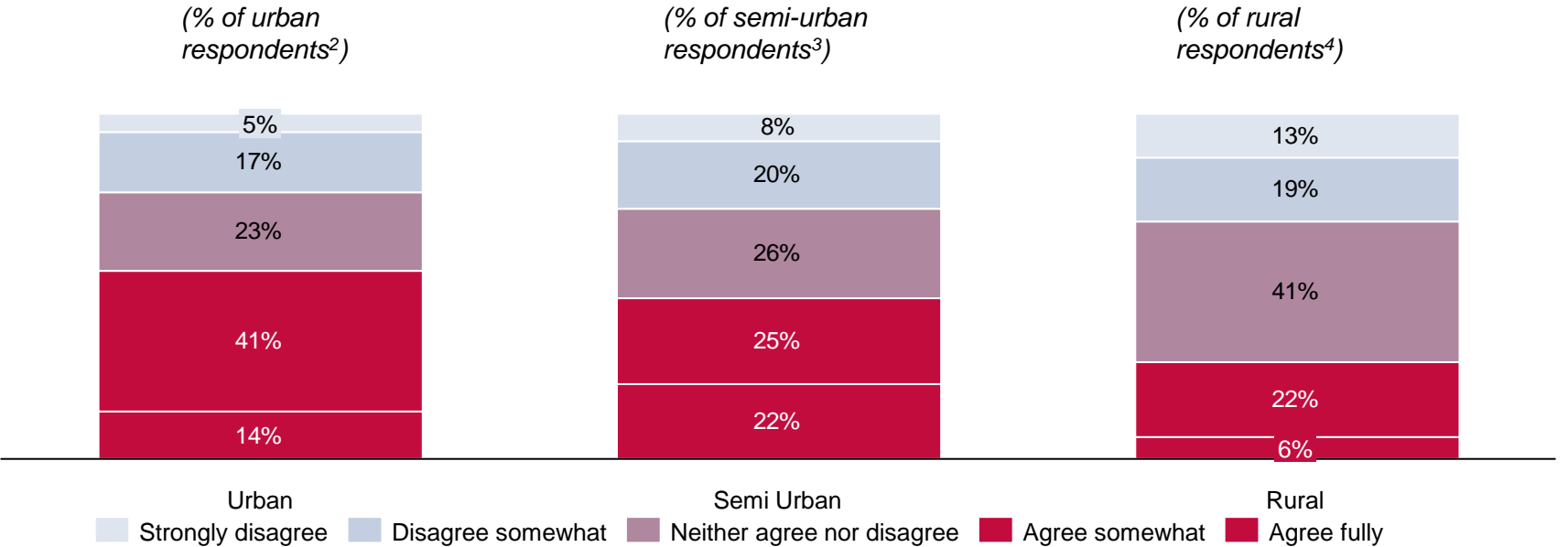
Method of saving money²
(% of respondents not earning digitally)



(1) Question asked was, "In what form do you receive your income? (N=1648); (2) Where did you do this saving/pension contribution?" (N= 1274), (respondents were first asked if they had saved any money in the last three months); (3) Active digital users are those who have used their debit card in the last three months for shopping, or ever used mobile money/wallets or mobile/online bank transfers (4) Any form of income via direct bank transfer, transfer into a MFI account, or into a m-money account is considered digital Source: USAID Digital Payment Survey with consumers, N=1648

There is an opportunity to digitize cash by meeting the demand for savings

'I would like additional ways to contribute to my savings or pension for old age'¹
 (% of total respondents with non-digital incomes¹)



There is no significant difference across gender however, SEC B2 (highest urban) had the highest demand for additional ways of saving

(1) Question asked was, "How strongly do you agree with the statement 'I would like additional ways to contribute to my savings or pension for old age'" (N=1274); (2) N=701, (3) N=217; (4) N=356
 Source: USAID Digital Payment Survey with consumers, N=1648

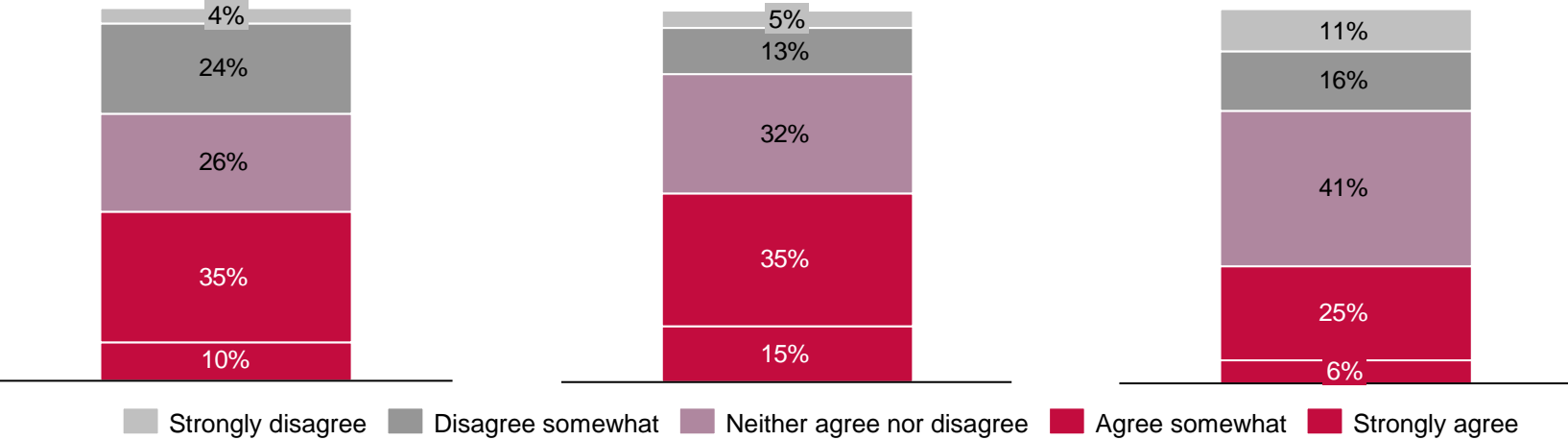
Managing loose change was a significant pain point particularly in urban and semi-urban areas

'Finding change when paying merchants is a significant problem'¹

(% of all urban respondents²)

(% of all semi-urban respondents³)

(% of all rural respondents⁴)

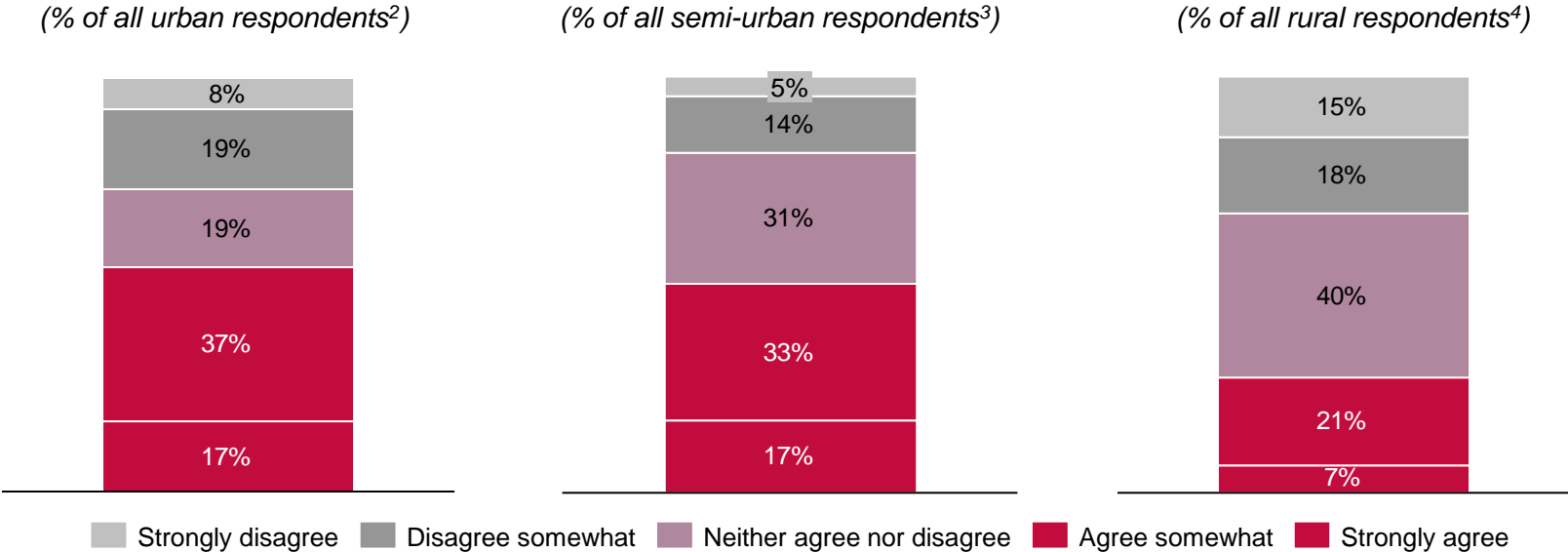


There is no significant difference across gender or SEC criteria

(1) Question asked was, "To what extent do you agree with this statement: 'Finding change when paying merchants is a significant problem'" (N=1648); (2) N=915; (3) N=283; (4) N=450
 Source: USAID Digital Payment Survey with consumers, N=1648

Consumers also found it difficult to track expenditure made in cash

'I am unable to track my monthly expenditure easily'¹



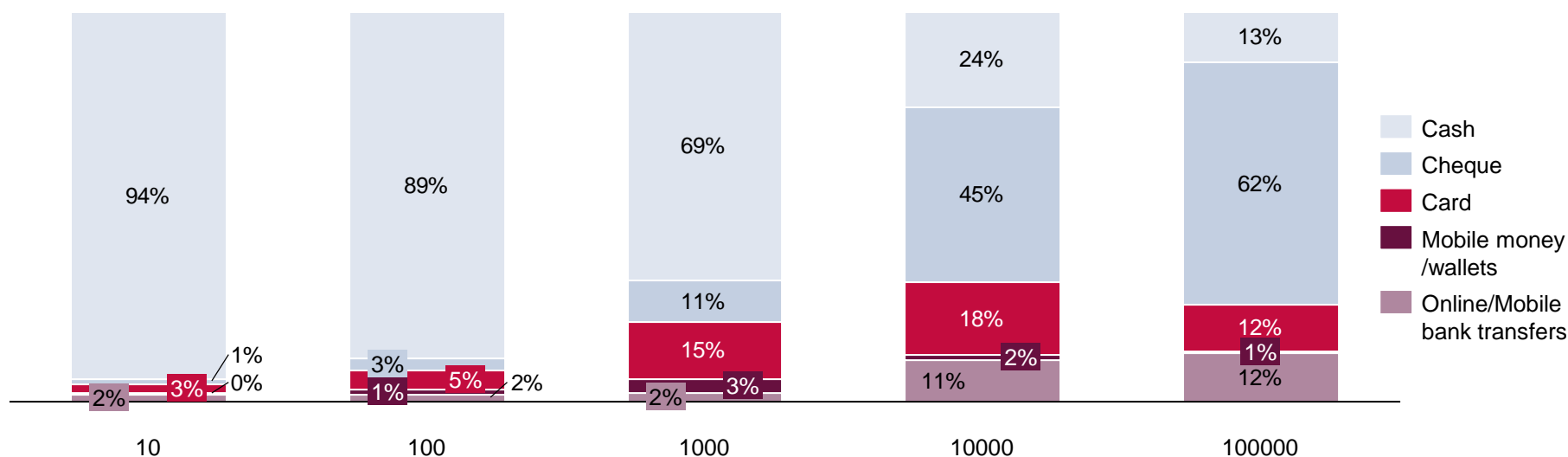
There is no significant difference across gender however, lower SECs found expenditure tracking slightly more challenging

(1) Question asked was, "To what extent do you agree with the statement: 'I am unable to track my monthly expenditure easily'" (N=1648); (2) N=915; (3) N=283; (4) N=450
 Source: USAID Digital Payment Survey with consumers, N=1648

Consumers associate digital payments with larger transactions

Medium of payment instrument preferred for various transaction sizes¹

(% of consumer respondents)



There is an opportunity to shift these “mental models” to induce more people to use digital payments more regularly

Notes: (1) Question asked was, “What medium would you prefer to make the following transaction- INR 10, 100, 1000, 10000, 1,00,000?” (N=1648); Source: USAID Digital Payment Survey with consumers, N=1648

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Executive summary (1/3)

Card non-acceptors

- **Awareness and interest in adoption is low among merchants** who don't currently accept card payments: ~40% of these merchants were aware they could accept card payments, of which ~40% were interested in adopting.
- The existence of a “**cash eco-system**” was the top reason driving down interest – **consumers did not ask to pay digitally**, and **merchants had to make cash payments** themselves. Low awareness and security concerns were other reasons. These issues **dwarfed concerns about cost and tax**.
- Those who were interested in accepting card payments cited **safety in cash handling as the primary reason** for interest. Improved **consumer service and image** were also important factors driving interest.
 - Urban merchants highlighted modernity of cards as a reason for interest.
 - Semi-urban merchants cited possible increase in consumers as a top reason for interest.

Card acceptors

- Merchants **who accept card payments rated their experience very highly**, ~50% of them would actively recommend the card acceptance system to others.
 - *Type of store*: While most types of merchants were satisfied with their card acceptance system, mobile/electronic store merchants had lower satisfaction levels (35% promoters vs. 24% detractors).
 - *Size of store*: Mid-sized merchants (sales between INR 100K-500K INR) were the most satisfied with their card acceptance system (59% promoters vs. 5% detractors).
- **Merchant highlighted several benefits** of accepting card payments, including **safety** in cash handling, **cost-effectiveness, faster transaction speed and ease of learning**.
- For the few that did not recommend their system (~11%), **low consumer demand** and the need to **make cash payments themselves** affected satisfaction. **Transaction and ownership costs** as well as increased tax burden were also highlighted as pain-points, but only by detractors.

Executive summary (2/3)

Mobile money insights

- **Awareness and interest** in accepting payments through mobile money amongst merchants **is very low**: ~21% of merchants who don't accept **mobile money** were aware that they could accept it, of which ~30% were interested in adopting it.
 - Mobile/electronics merchants had the highest awareness (27%), restaurants had the lowest awareness (15%).
 - Merchants with business bank accounts were ~2x more likely to be aware and ~3x more likely to be interested in adopting.
- **Lack of awareness, low perceived security, and a cash ecosystem** hinder interest in mobile money acceptance.
- **Safety in cash handling, cost savings and speed** are top factors driving interest in mobile money acceptance.
- Merchants are **fairly satisfied with mobile money acceptance**, mainly due to **ease of use, safety**, and the prospect of providing **better service to customers**.

Mobile / online bank transfers insights

- **Increased customer demand, lower costs, and shorter payment lags** were cited as areas for improvement.
- **Awareness and interest** in accepting payments through bank transfers amongst merchants is also low; ~21% of merchants who don't accept bank transfers **were aware** that they could accept it, of which ~28% **were interested** in adopting it.
 - Mobile/electronic stores were most likely to be aware (28%) and medical store were most likely to be interested in adoption (40%)
 - Urban merchants were more likely to be aware (26%) and interested (31%) in adoption
 - Merchants with business bank accounts were 2-3x more likely to be aware however, half as likely to be interested in adoption

Executive summary (3/3)

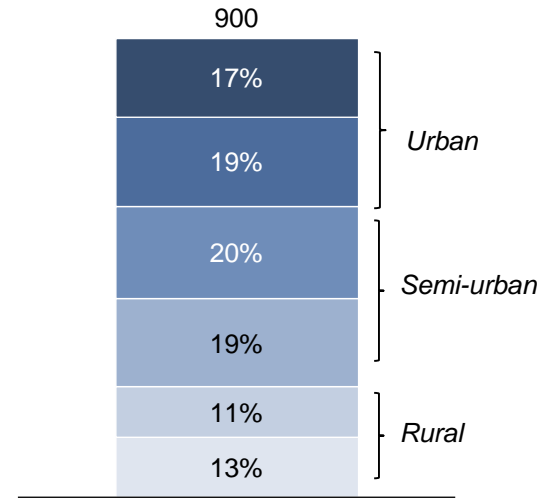
- Multiple factors, including lack of knowledge/awareness and the “cash eco-system”, hamper interest.
- **Cost-effectiveness, safety, perception of modernity, better consumer image**, and avoiding the hassle of **loose change** drove interest.
- Most merchants would recommend their mobile bank transfer acceptance system, primarily due to it **being a safer alternative to cash**.

Emerging opportunity areas to accelerate adoption

- Merchants experience some **cash handling pain-points** that offer an opportunity to increase adoption. 40% of merchants cited they **don't feel safe keeping cash with them** at home and outdoors.
- **Easier/lower cost access to credit** emerged as important “hooks” for digital payment adoption.
- **A majority of merchants were willing to pay suppliers digitally, if required to do so.** Given that the need to make payments in cash is a major reason driving down interest in adoption, there is an opportunity to accelerate digital payment acceptance by digitizing payments to suppliers.

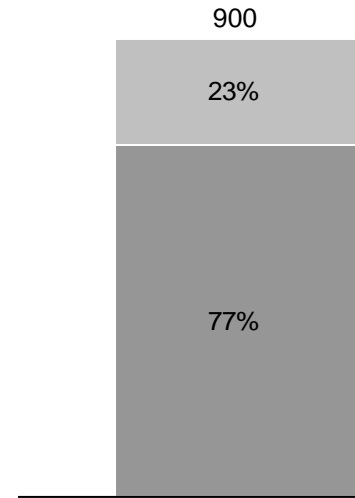
Merchant demographics

Respondents by geographic region
(% of total respondents²)



- Hyderabad
- Mumbai
- Kota
- Vishakhapatnam
- Guntur
- Jaunpur

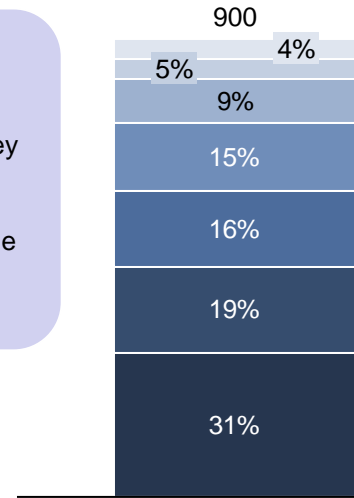
Respondents by digital acceptance¹
(% of total respondents²)



21% debit card acceptors;
3% mobile money acceptors
5% online/ mobile bank transfer acceptors

- Acceptors
- Non acceptors

Respondents by store category
(% of total respondents²)

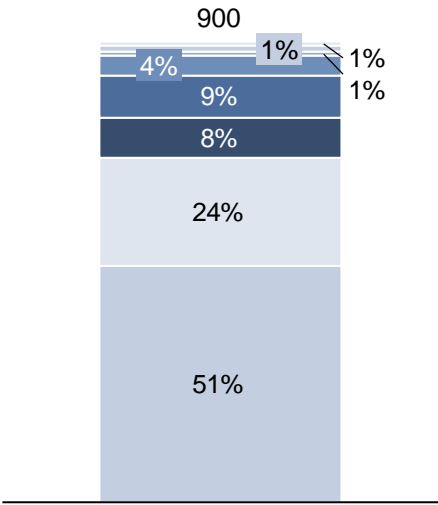


- Petrol Pumps
- Dairy
- Small Restaurants
- Medical Stores
- Electronic / Mobile
- Clothing / Footwear Stores
- Kirana Stores

Agreed upon recruiting criteria (1) Digital acceptance defined as any merchant who (accepts payments via a debit card, a mobile money/wallet account, or online/mobile bank transfers (2) N=900
Source: USAID Digital Payment Survey with merchants, N=900

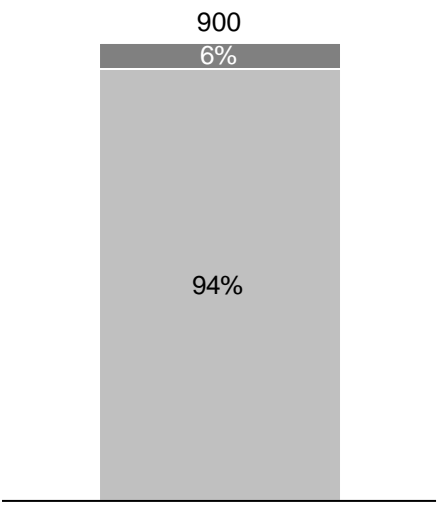
Merchant demographics

Respondents by store revenue
(% of total respondents¹)



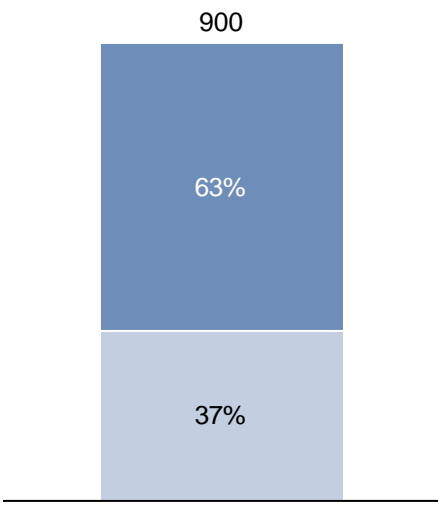
- <0.5 lakhs
- 5-10 lakhs
- 0.5-1 lakhs
- 10-15 lakhs
- 1-2 lakhs
- >15 lakhs
- 2-5 lakhs
- Do not want to disclose

Respondents by personal bank account
(% of total respondents¹)



- Own a personal bank account
- Do not own a personal bank account

Respondents by VAT/sales tax registration
(% of total respondents¹)



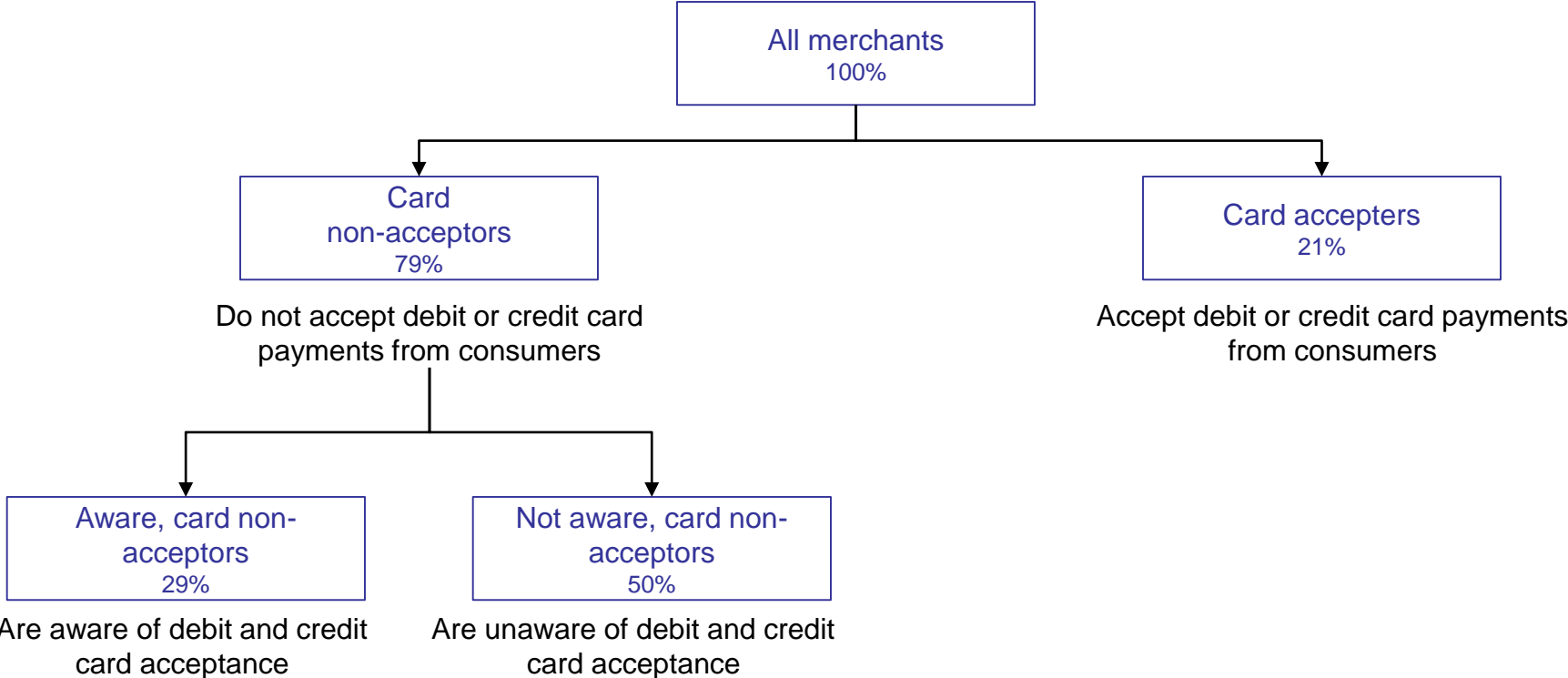
- Registered
- Non registered

(1) N=900
Source: USAID Digital Payment Survey with merchants, N=900

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We analysed awareness, interest and usage among merchants who accepted cards, and those who did not

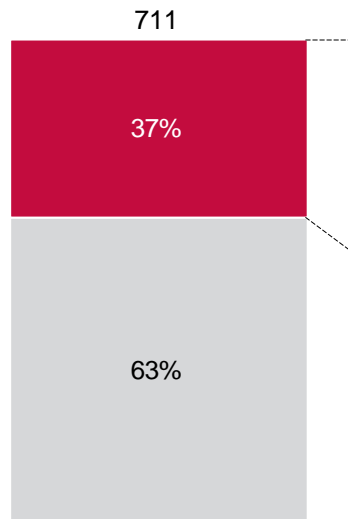


Key- % represents our sample composition

~40% of non-acceptors are aware of card acceptance, of which ~40% are interested in adopting

Are you aware you can accept money via debit/credit cards?¹

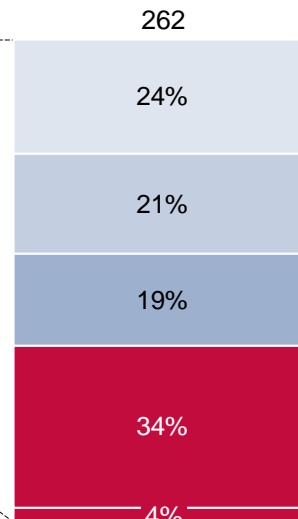
Number of merchants that don't accept cards



■ Aware ■ Unaware

I am interested in adopting a card acceptance device²

Number of merchants that are aware but don't accept cards



■ Strongly disagree ■ Agree
 ■ Disagree ■ Strongly agree
 ■ Neither agree or disagree

- Restaurants had the highest awareness level, but lowest interest in adoption. Among kirana stores, ~30% are aware of acceptance, ~40% are interested in accepting cards
- In general, urban merchants had higher awareness (29%) and interest (37%) than rural merchants (20% and 12% respectively)
- Merchants with business bank accounts were 3x more likely to be aware and 2x more likely to be interested in adopting
- Registered merchants are 2.75x more likely to be aware and 1.5x more likely to be interested in adopting
- Merchants with access to computers and internet were 2-3 times more likely to be aware of card acceptances

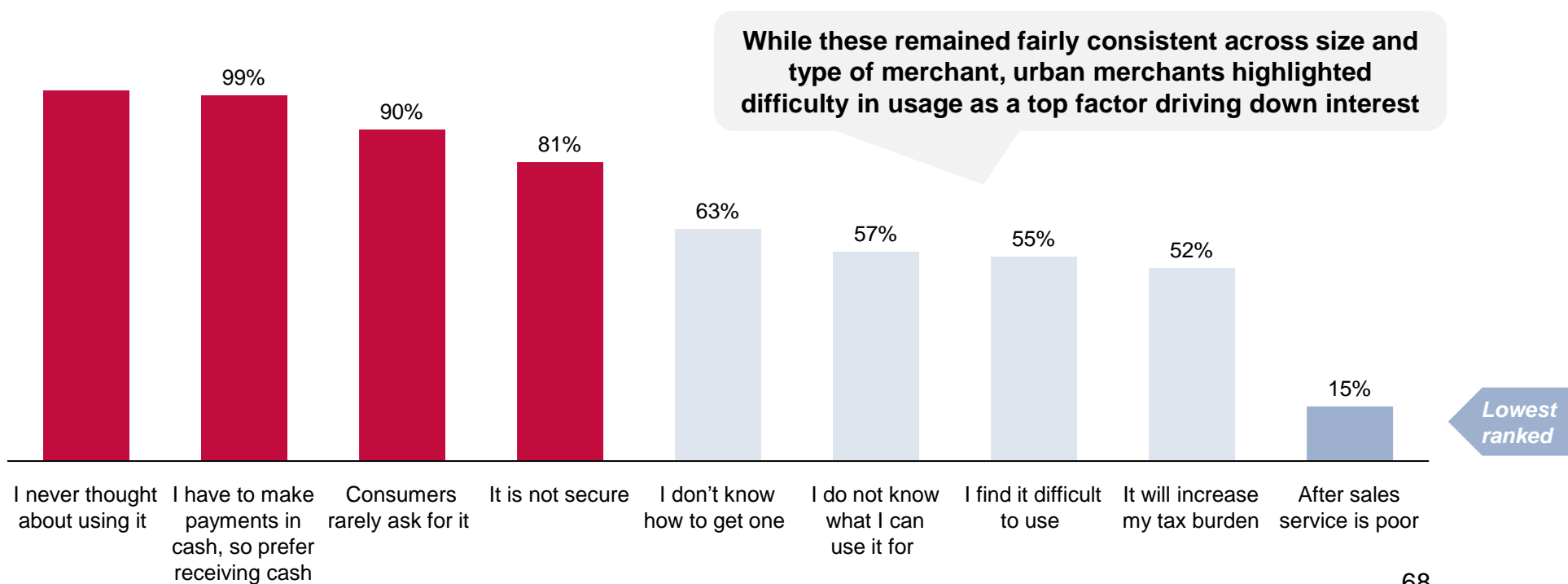
(1) N= 711, (2) N= 262

Source: USAID Digital Payment Survey with Merchants, N=900

Lack of awareness, the prevalence of a cash ecosystem, and security concerns hinder interest in card acceptance

What are the top reasons adversely affecting your interest in adopting a card adoption device?¹

(answered by merchants that don't accept cards and are disinterested or neutral towards adoption, % indexed to the highest ranked option, multiple options accepted)

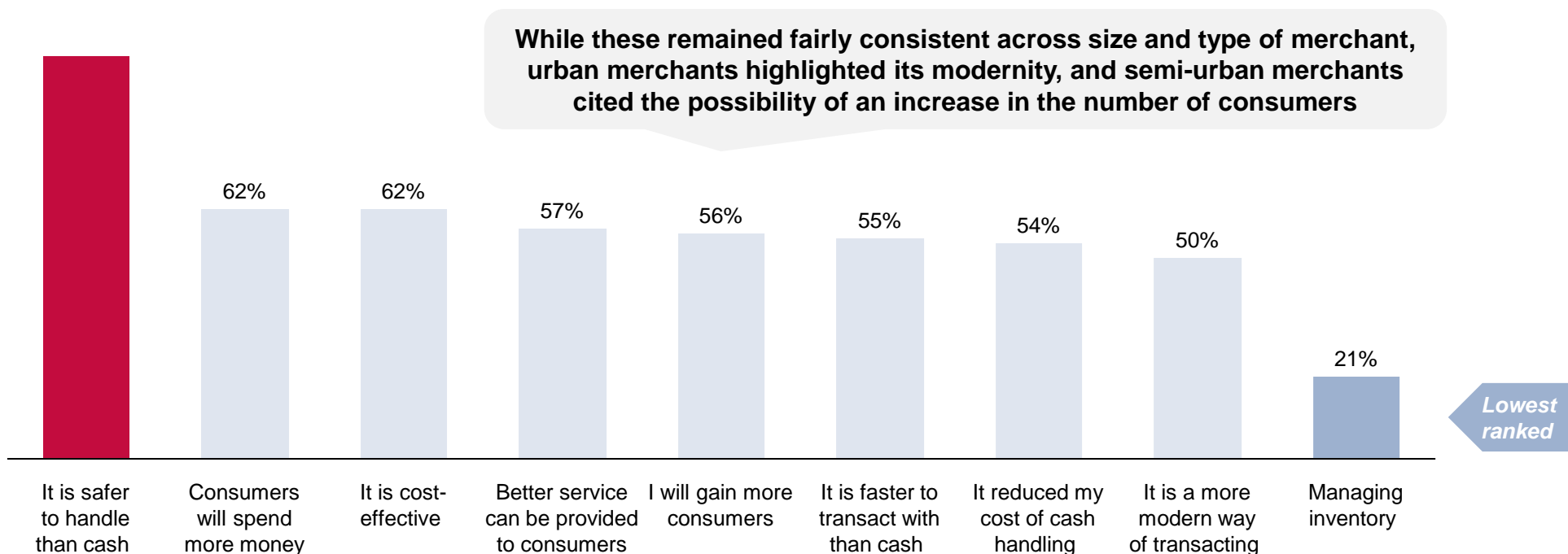


(1) N=166, 19 options were presented to the merchants, only the top 8 are shown here
Source: USAID Digital Payment Survey with Merchants, N=900

Safety in cash handling is the top factor driving interest in card acceptance adoption

What reasons are driving your interest in adopting card acceptance system?¹

(answered by merchants that don't accept cards but are interested or neutral towards adopting % indexed to the highest ranked option, multiple options accepted)

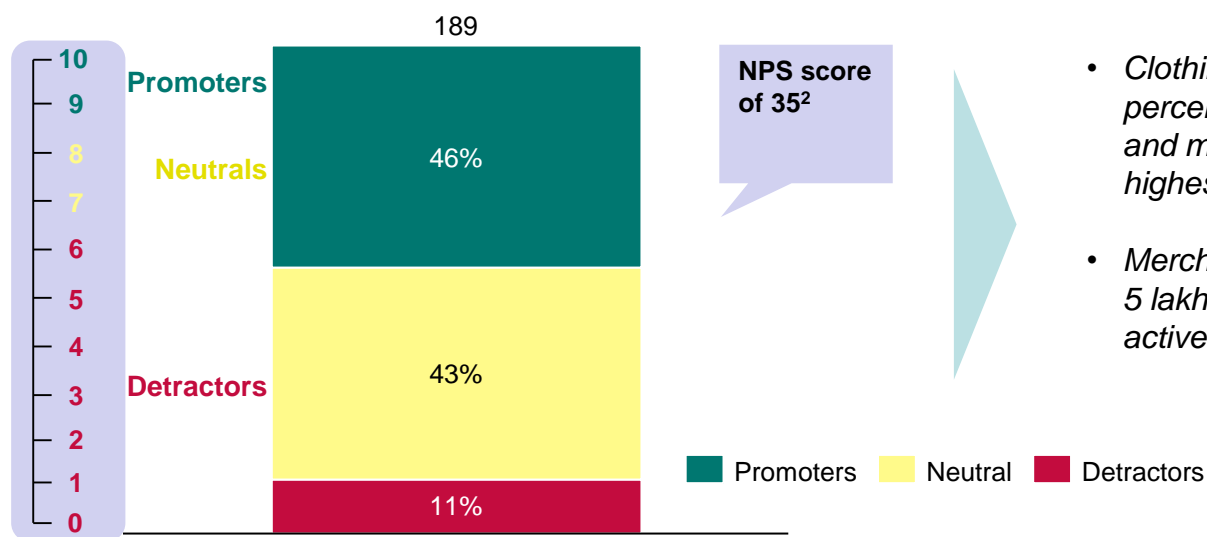


(1) N=146, 17 options were presented to the merchants, only the top 8 are shown here.
Source: USAID Digital Payment Survey with Merchants, N=900

Merchants who accept debit cards are highly satisfied with their experience

On an ascending scale of 0-10, how likely are you to recommend your debit card acceptance system?¹

% of debit card acceptors



- Clothing store merchants had the highest percentage of active promoters (55%) and mobile/electronic stores had the highest percentage of detractors (24%)
- Merchants with revenue between INR 1 to 5 lakh have the highest percentage of active promoters (60%)

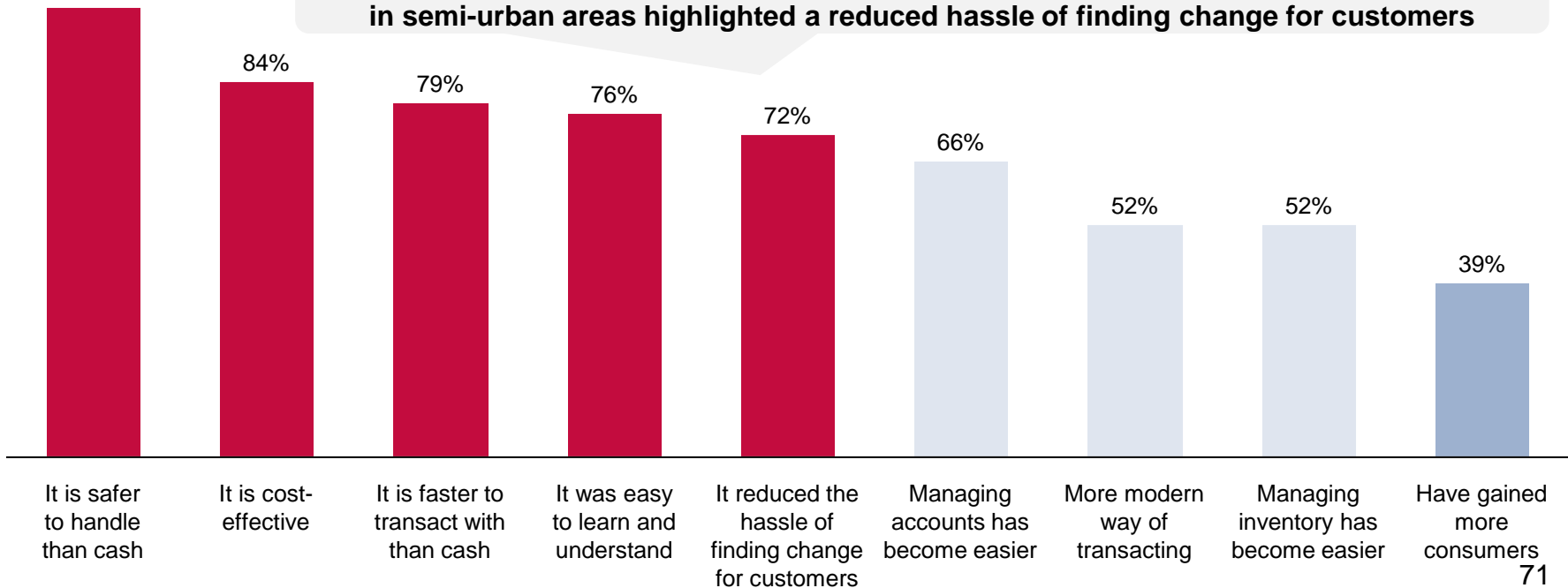
(1) N= 189, Respondents were asked to rate, on a scale of 0 to 10, how likely they were to recommend the use of debit or ATM cards. Those who rated 9 or 10 are considered promoters, 7 and 8 are considered neutral, and 0-6 are considered detractors. (2) NPS refers to the Net Promoter Score, a cross-industry measure of consumer loyalty. It is calculated by subtracting the percentage of customers who are Detractors from the percentage of customers who are Promoters.

Merchants highlighted several benefits of card acceptance

Why would you recommend your card acceptance system?¹

(answered by merchants that were promoters or neutrals and accept cards, % indexed to the highest rank, multiple options accepted)

While these remained fairly consistent across the type and size of merchants, merchants in semi-urban areas highlighted a reduced hassle of finding change for customers



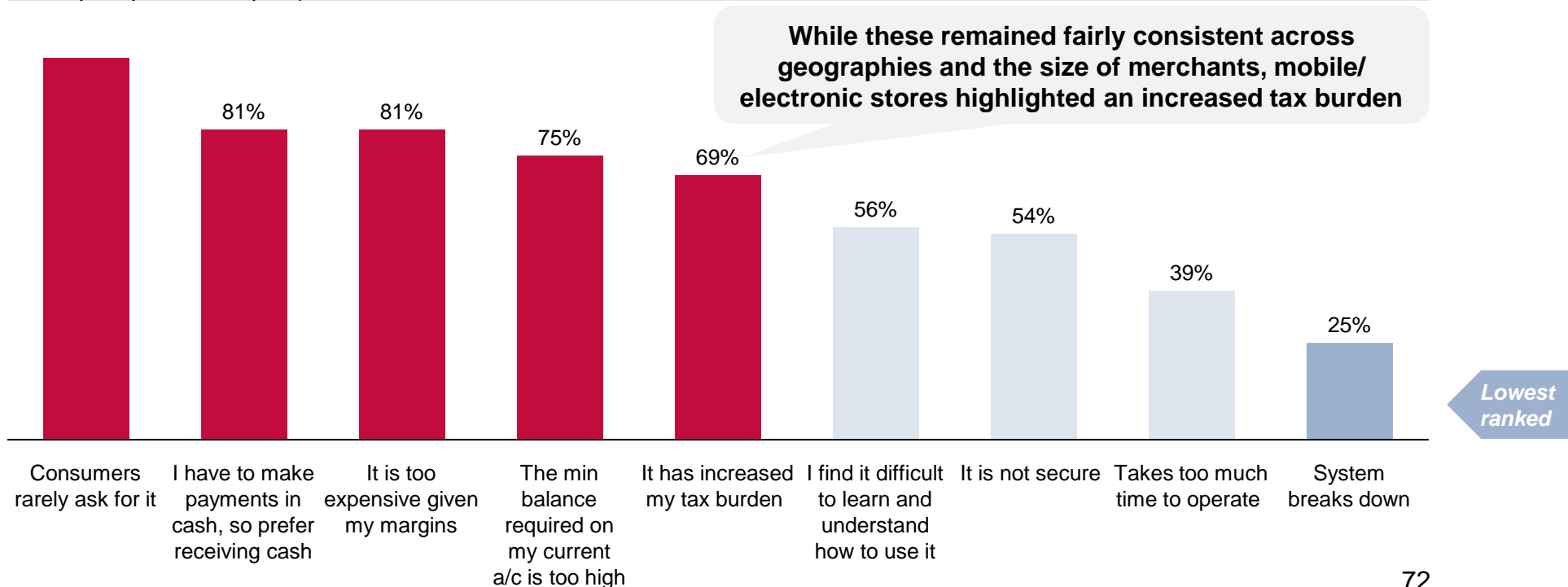
Lowest ranked

(1) N=168, includes neutrals, 17 options were presented to the merchants, only the top 8 are shown here
Source: USAID Digital Payment Survey with Merchants, N=900

The few merchants who not satisfied, cited the “cash-ecosystem” and associated costs as areas for improvement

What problems do you have with your card acceptance system?¹

(answered by merchants that were detractor and neutral and that accept cards, % indexed to the highest ranked option, multiple options accepted)

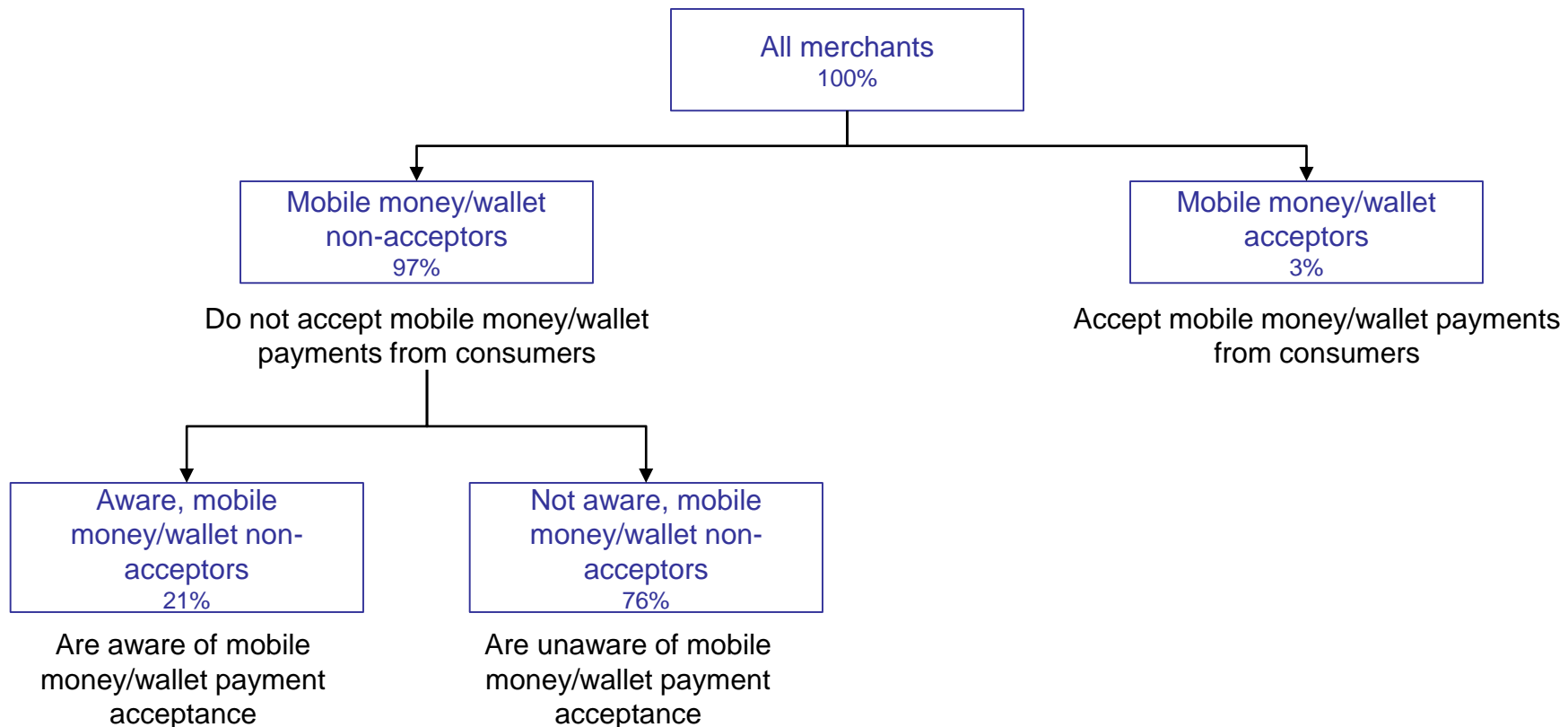


(1) N=103, includes neutrals, 17 options were presented to the merchants, only top 8 are shown here
Source: USAID Digital Payment Survey with Merchants, N=900

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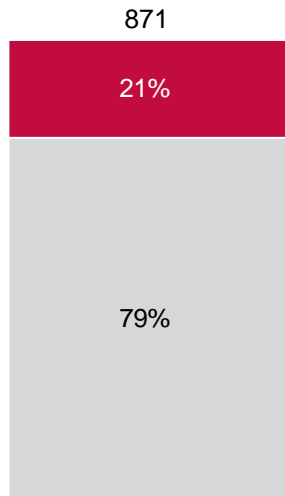
We analysed awareness, interest and experience with acceptance mobile money among merchants



Key- % represents our sample composition

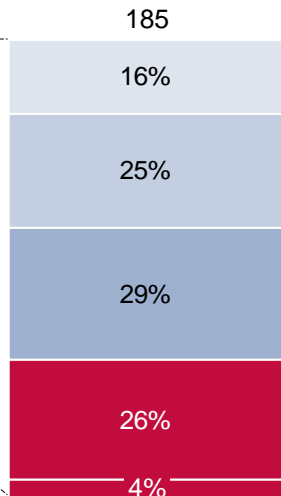
Merchant awareness and interest in accepting payments through mobile money is low

Are you aware that you can accept customer payments via mobile money?¹
 Number of merchants that don't accept mobile money



■ Yes ■ No

I am interested in accepting payments made through mobile money²
 Number of merchants that are aware but don't accept mobile money



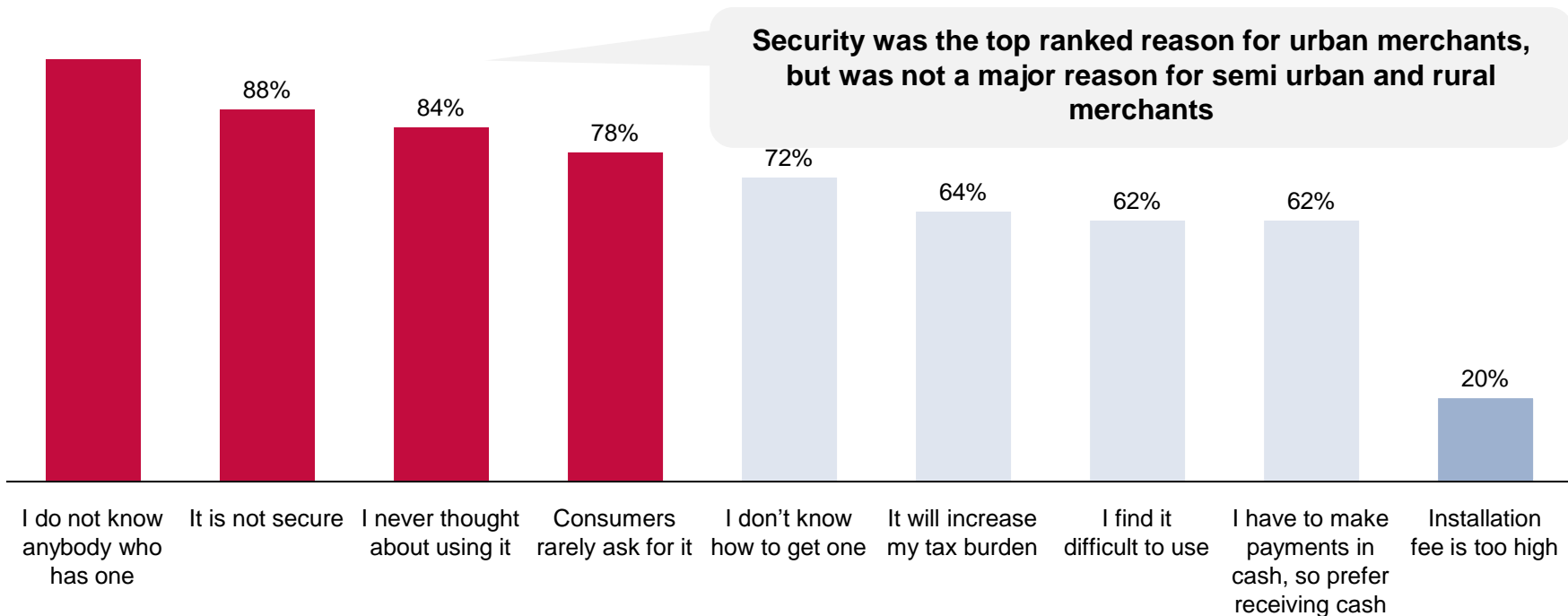
■ Strongly disagree ■ Agree
 ■ Disagree ■ Strongly agree
 ■ Neither agree or disagree

- *Mobile/electronics merchants had the highest awareness (27%), restaurants had the lowest awareness (15%)*
- *Merchants with business bank accounts were ~2x more likely to be aware and ~3x more likely to be interested in adopting*
- *There exists a positive correlation between number of suppliers and awareness/interest in adoption*
- *Urban merchants were more likely to be aware and interested in adoption*
- *Merchants with computers/internet were 1.5-2 times more likely to be aware/ interested*

(1) N=871, (2) N=185
 Source: USAID Digital Payment Survey with Merchants, N=900

Lack of awareness, low perceived security, and a cash ecosystem hinder interest in mobile money acceptance

What are the reasons adversely affecting your interest in accepting payments through mobile phones?¹
(answered by merchants that are aware, but don't accept mobile money and are disinterested or neutral towards adoption, % indexed to the highest ranked option, multiple options accepted)

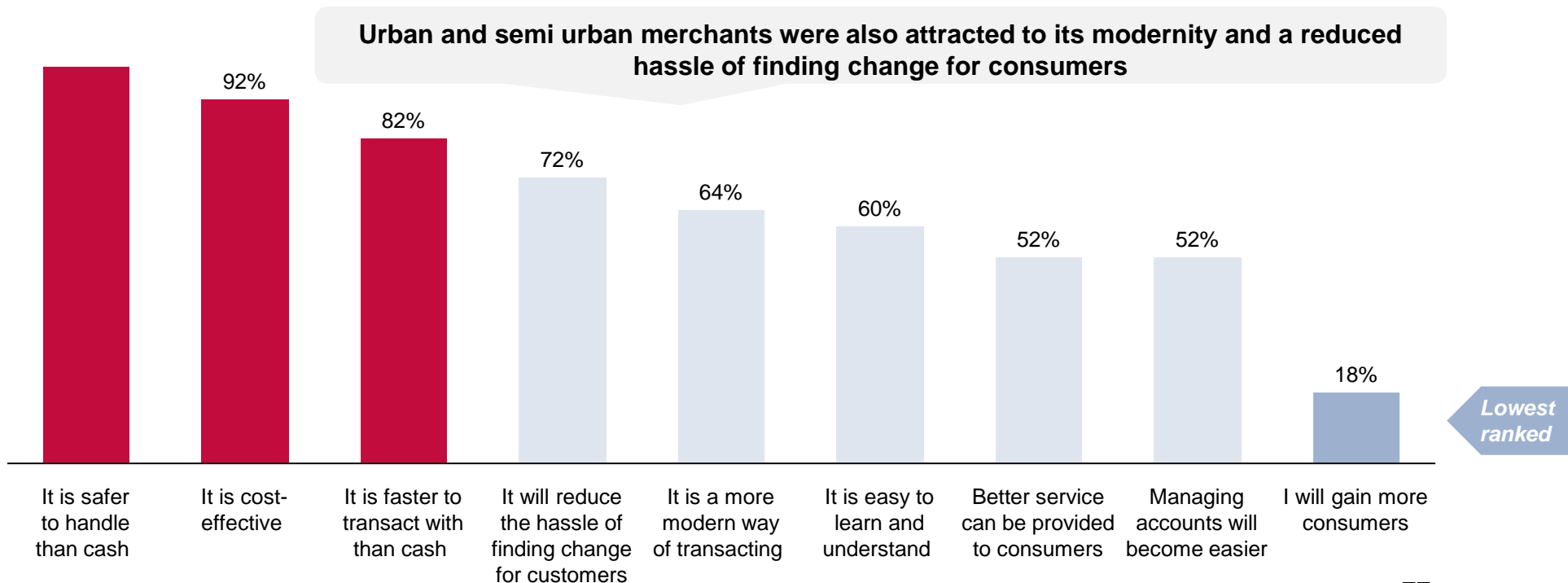


(1) N=129, 20 options were presented to the merchants, only the top 8 are shown here
 Source: USAID Digital Payment Survey with Merchants, N=900

Safety in cash handling, cost savings and speed are top factors driving interest in mobile money acceptance

What are the reasons driving your interest in accepting payments through mobile phones?¹

(answered by merchants that are aware, but don't accept mobile money and are interested or neutral towards adopting % indexed to the highest ranked option, multiple options accepted)

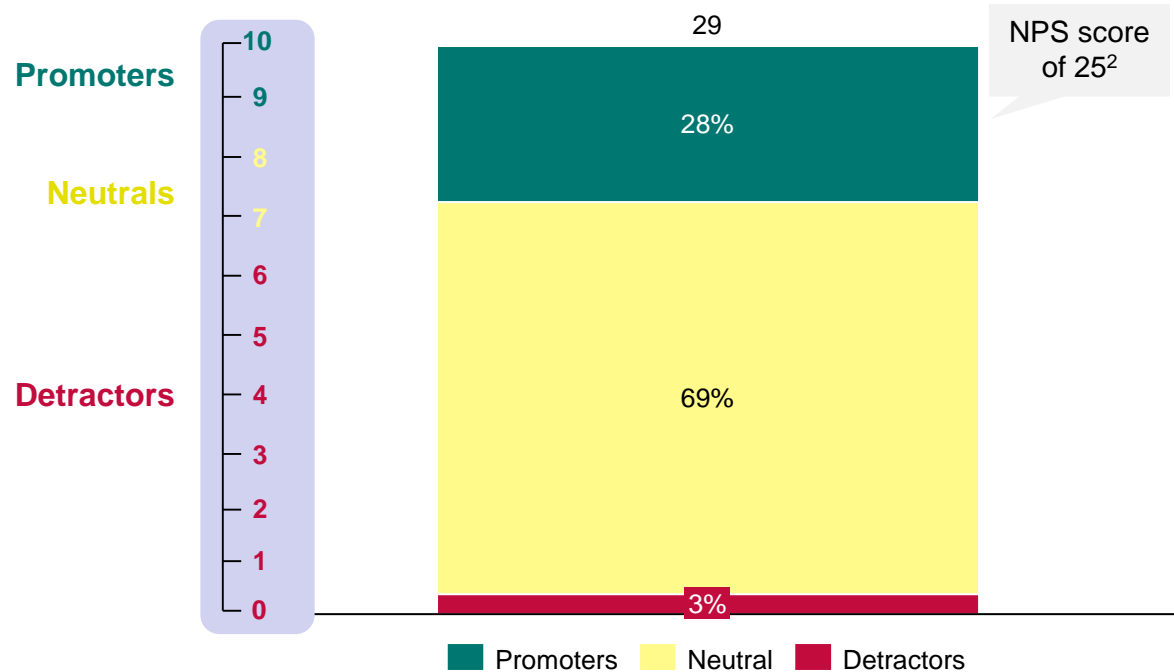


(1) N=109, 17 options were presented to the merchants, only the top 8 are shown here. Source: USAID Digital Payment Survey with Merchants, N=900

Most merchants recommended their mobile money acceptance system

On an ascending scale of 0-10, how likely are you to recommend a mobile money payment system?¹

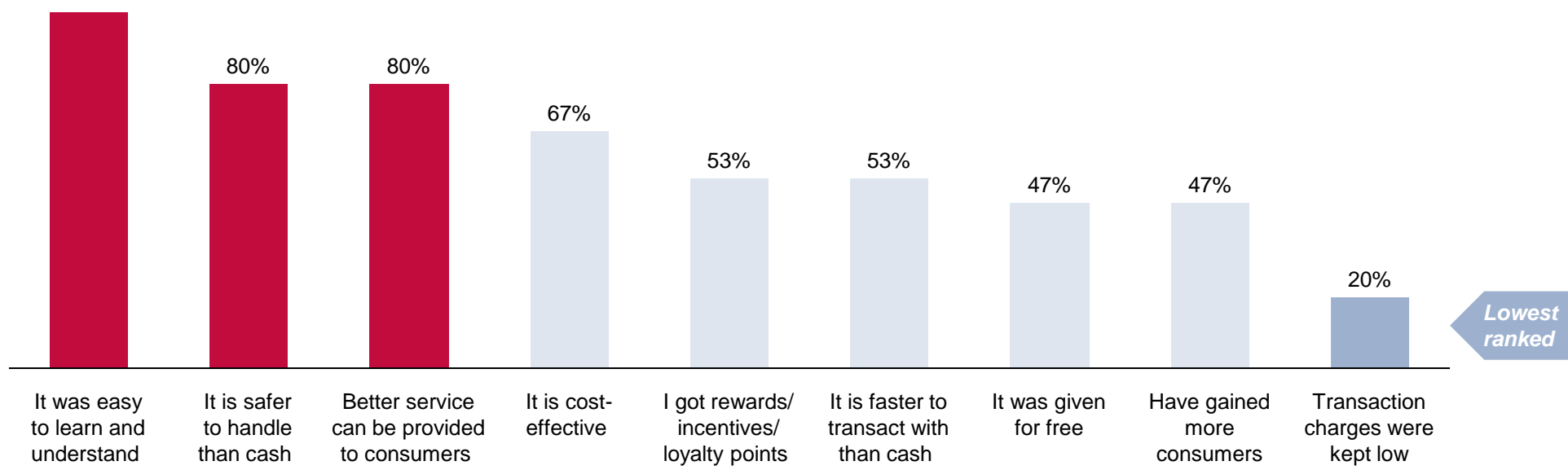
(% of mobile money/wallet acceptors)



(1) N=29. (2) NPS refers to the Net Promoter Score, a cross-industry measure of consumer loyalty. It is calculated by subtracting the percentage of customers who are Detractors from the percentage of customers who are Promoters. Source: USAID Digital Payment Survey with Merchants, N=900

Merchants highlighted ease of use, safety, and improved customer service

Why would you recommend your mobile money payment acceptance system?¹
(answered by mobile money acceptors who were promoters and neutral², indexed to highest ranked option, multiple options accepted)

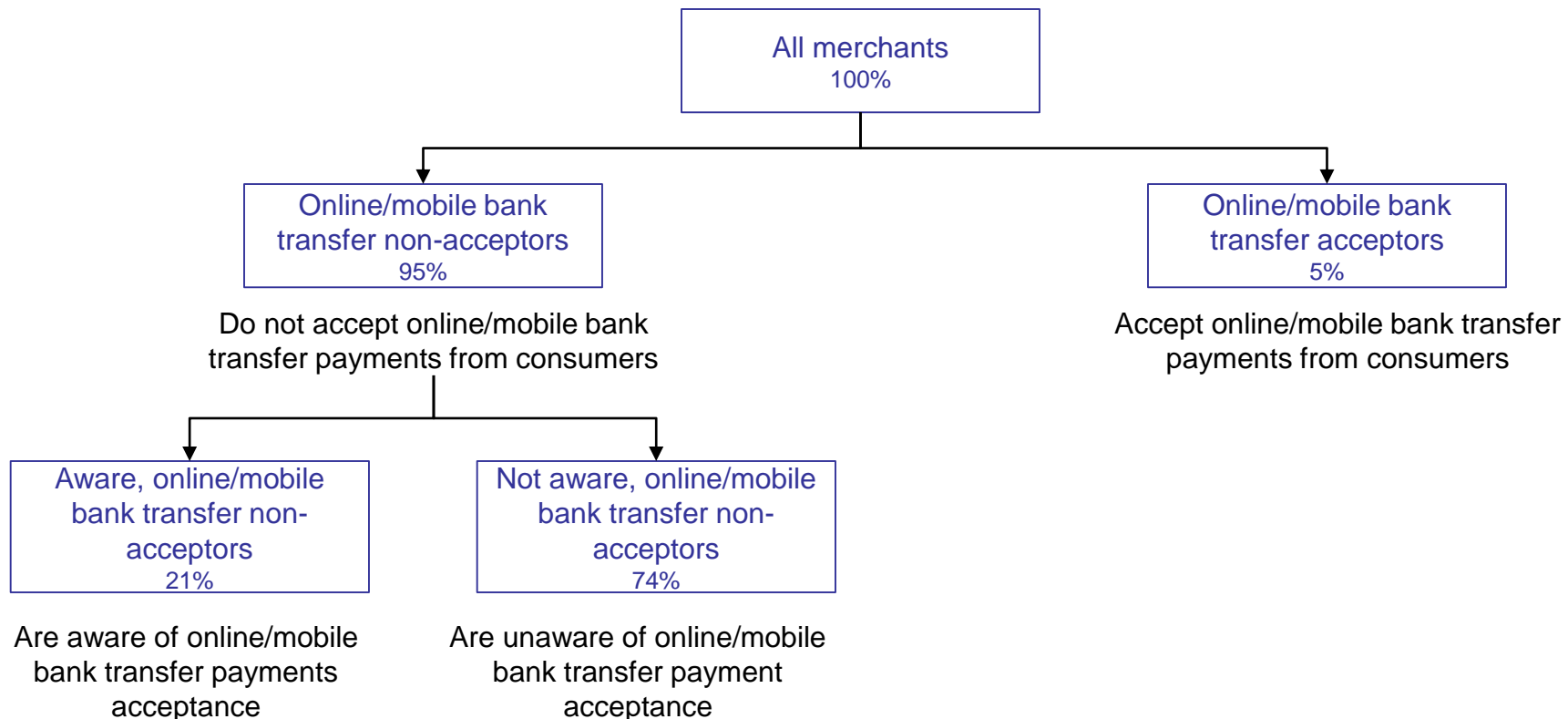


(1) N=28, 20 options were presented to the respondents, the top 8 are shown here (2) Asked to those who responded between 7-10 to the question "On an ascending scale of 0-10, how likely are you to recommend a mobile money payment system?"
 Source: USAID Digital Payment Survey with Merchants, N=900

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We analysed awareness, interest and experience with acceptance of online/mobile bank transfers among merchants

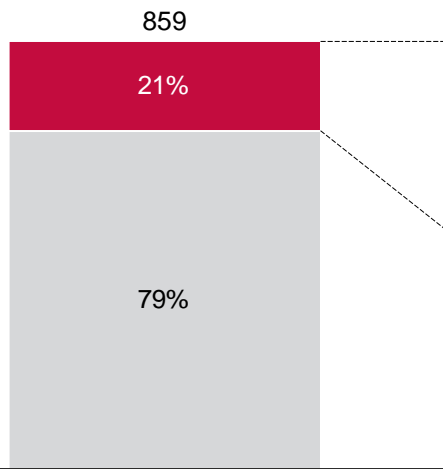


Key- % represents our sample composition

Merchant awareness and interest in accepting payments through bank transfers is low

Are you aware that you can accept customer payments via online/mobile bank transfers?¹

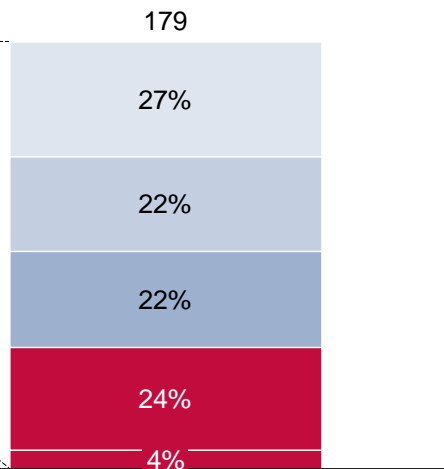
Number of merchants that don't accept bank transfers



■ Yes ■ No

I am interested in accepting payments made through online/mobile bank transfers²

Number of merchants that are aware but don't accept bank transfers



■ Strongly disagree ■ Agree
 ■ Disagree ■ Strongly agree
 ■ Neither agree or disagree

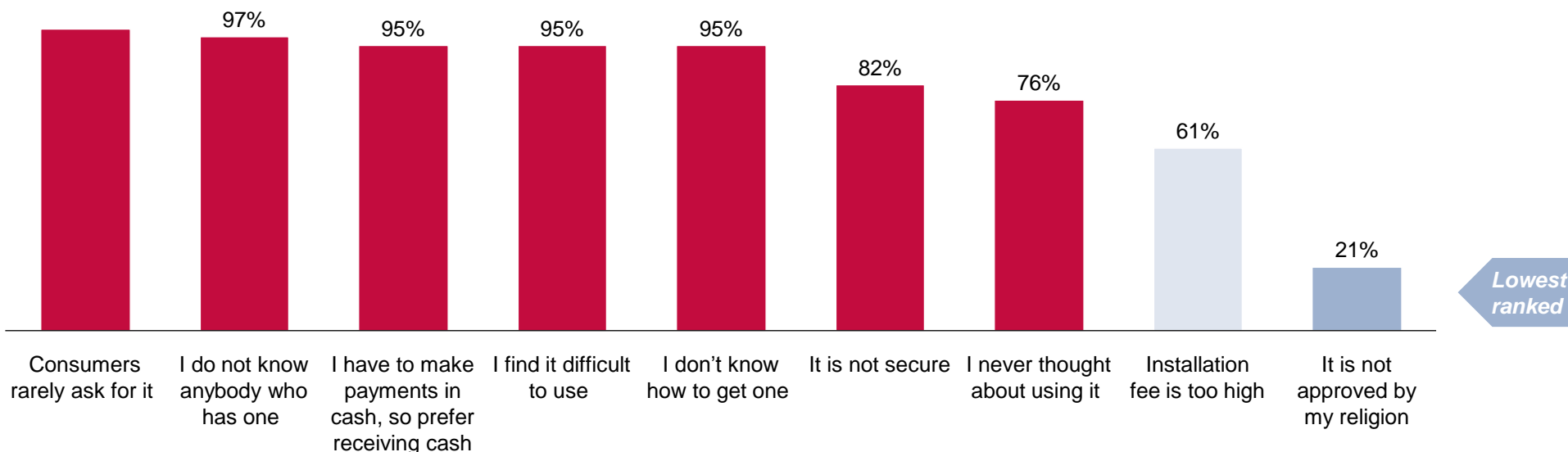
- *Mobile/electronic stores were most likely to be aware (28%) and medical store were most likely to be interested in adoption (40%)*
- *Urban merchants were more likely to be aware (26%) and interested (31%) in adoption*
- *Merchants with business bank accounts were 2-3x more likely to be aware however, half as likely to be interested in adoption*
- *There exists a positive correlation between number of suppliers and awareness/interest in adoption*

(1) N=859, (2) N=179
 Source: USAID Digital Payment Survey with Merchants, N=900

A large number of factors adversely effect interest in accepting payments through online/mobile bank transfers

What are the reasons adversely affecting your interest in accepting payments through online/mobile bank transfers?¹
(answered by merchants that are aware, but don't accept bank transfers and are disinterested or neutral towards adoption, % indexed to the highest ranked option, multiple options accepted)

These trends remained constant across store types, location and store sizes



(1) N=128, 21 options were presented to the merchants, only the top 8 are shown here
 Source: USAID Digital Payment Survey with Merchants, N=900

There were multiple factors that drove interest in online/mobile bank transfer acceptance

What are the reasons driving your interest in accepting payments through online/mobile bank transfers?¹

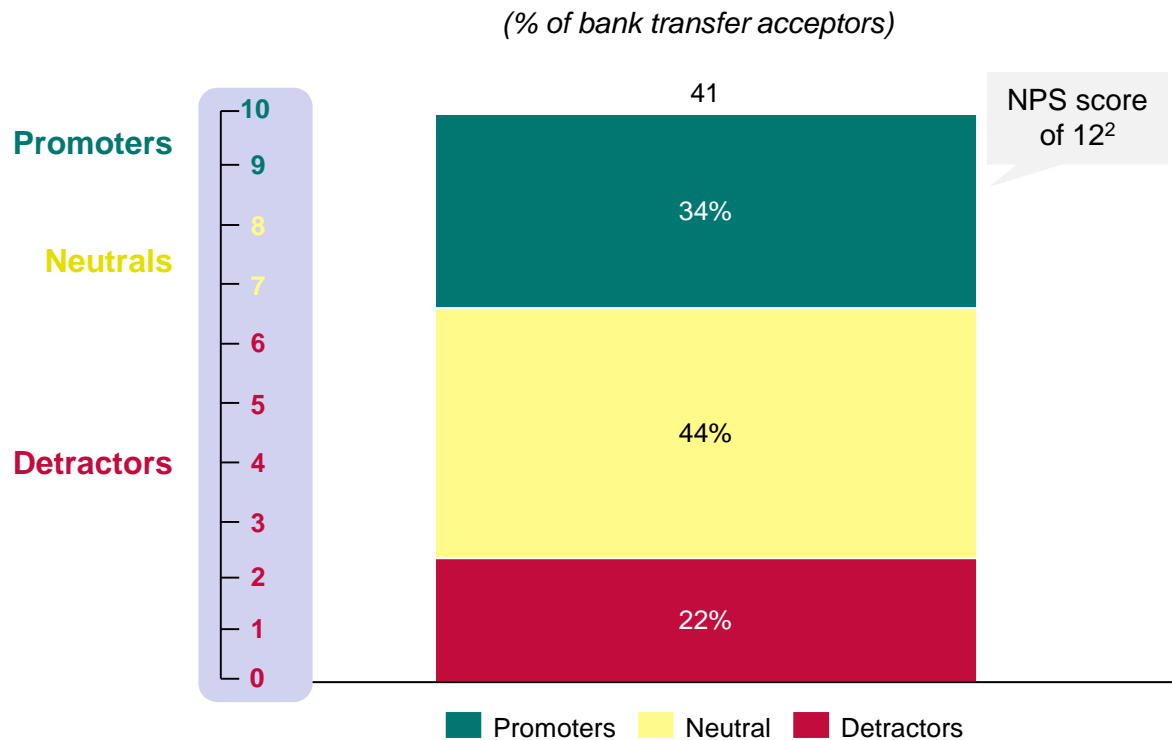
(answered by merchants that are aware, but don't accept bank transfers and are interested or neutral towards adopting % indexed to the highest ranked option, multiple options accepted)



(1) N=91, 17 options were presented to the merchants, only the top 8 are shown here.
Source: USAID Digital Payment Survey with Merchants, N=900

Most merchants would recommend their mobile bank transfer acceptance system

On an ascending scale of 0-10, how likely are you to recommend an online/mobile bank transfer payment system?¹

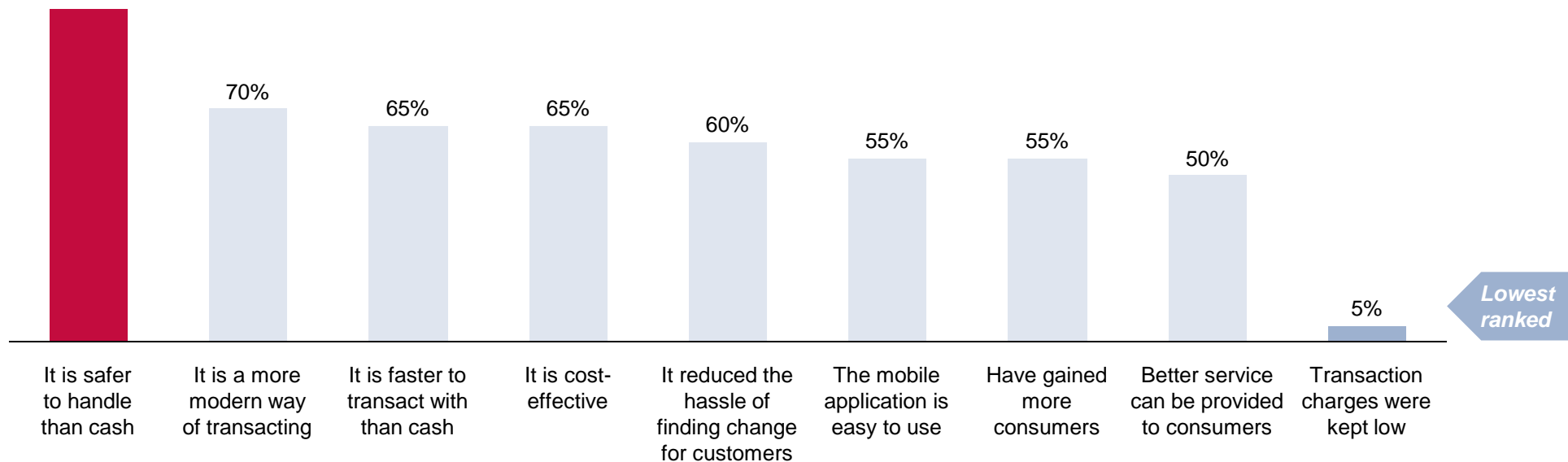


(1) N=41. (2) NPS refers to the Net Promoter Score, a cross-industry measure of consumer loyalty. It is calculated by subtracting the percentage of customers who are Detractors from the percentage of customers who are Promoters. Source: USAID Digital Payment Survey with Merchants, N=900

This was primarily because they consider bank transfer to be a safer alternative to cash

Why would you recommend your online/mobile bank transfer payment system?¹

(answered by bank transfer acceptors who were promoters and neutral², indexed to highest ranked option, multiple options accepted)

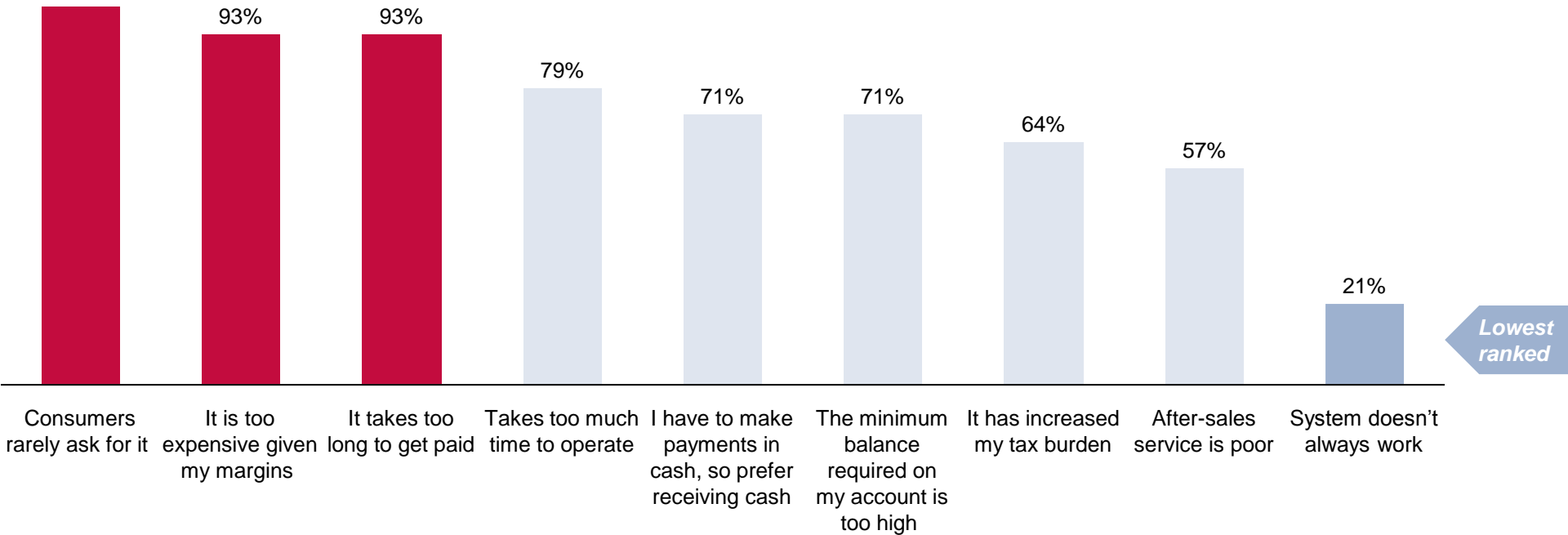


(1) N=32, 20 options were presented to the respondents, the top 8 are shown here (2) Asked to those who responded between 7-10 to the question "On an ascending scale of 0-10, how likely are you to recommend an online/mobile bank transfer payment system?"

Source: USAID Digital Payment Survey with Merchants, N=900

Customer demand, costs, and payment times were cited as areas for improvement

What problems do you have with your online/mobile bank transfer payment system?¹
(answered by bank transfer acceptors who were detractors and neutral², indexed to highest ranked option, multiple options accepted)



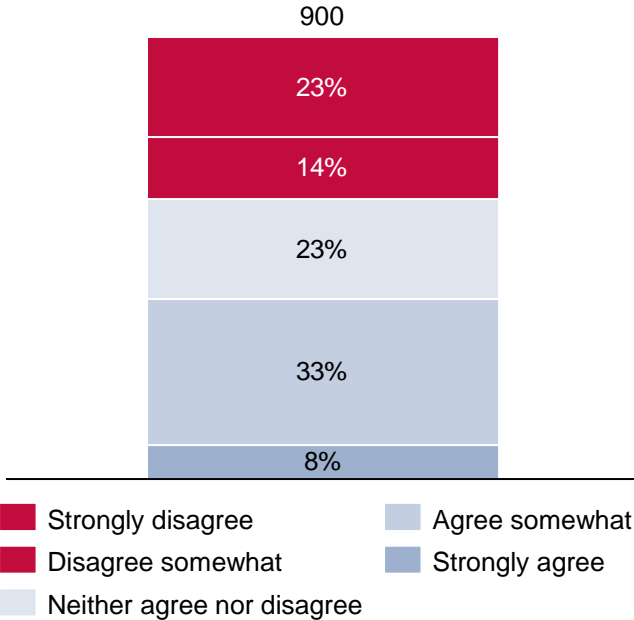
(1) N=27, 14 options were presented to the respondents, the top 8 are shown here (2) Asked to those who responded between 0-8 to the question "On an ascending scale of 0-10, how likely are you to recommend an online/mobile bank transfer payment system?"
 Source: USAID Digital Payment Survey with Merchants, N=900

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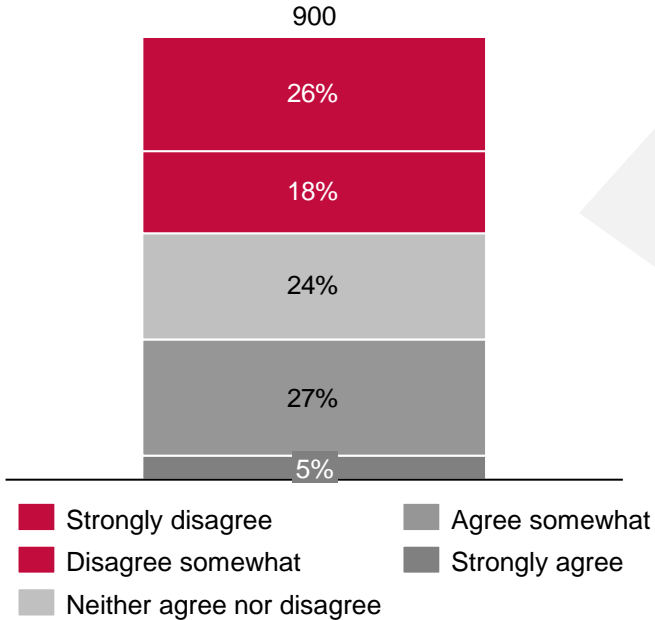
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~40% of merchants feel unsafe keeping cash with them at home and outdoors

I feel safe keeping cash with me at home¹
(% of merchant respondents)



I feel safe carrying cash with me outdoors¹
(% of merchant respondents)



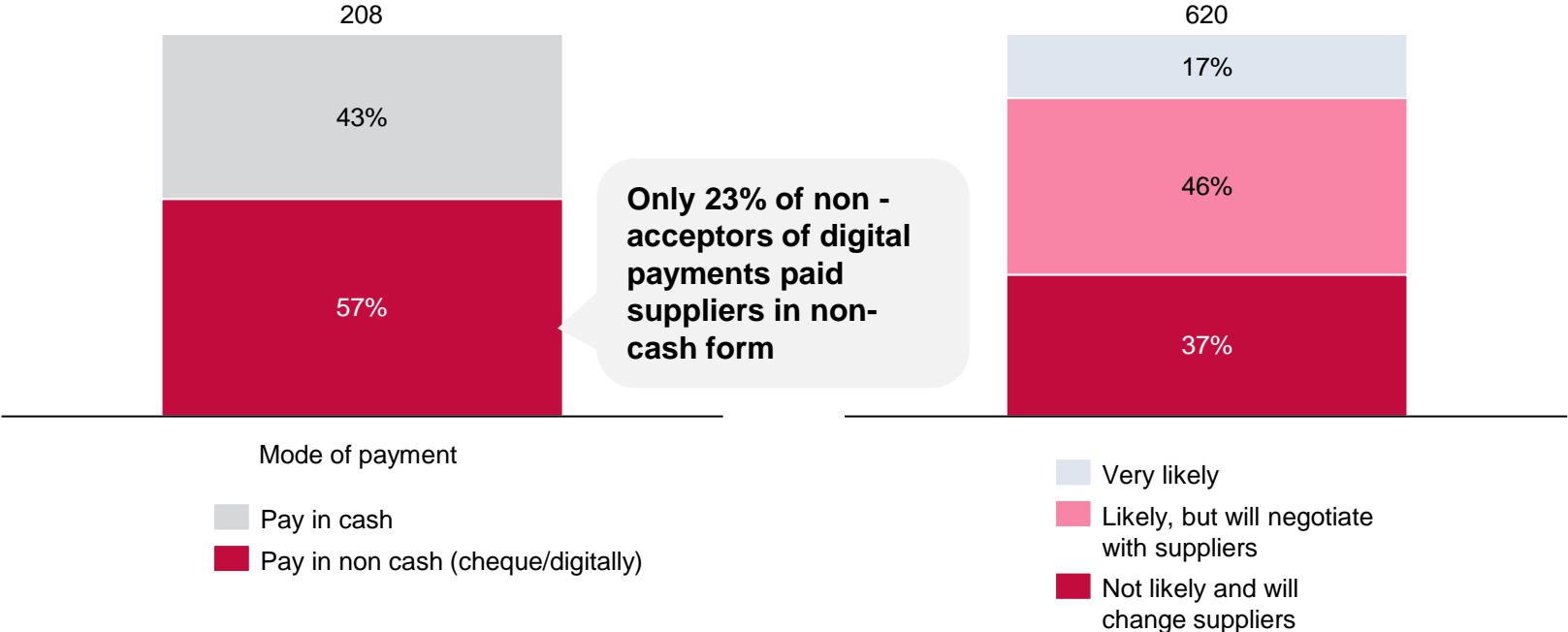
Trends remained consistent across store size, location and store type except for petrol pumps, mobile/electronics store and semi-urban merchants, all of whom felt particularly unsafe carrying cash outdoors

(1) N= 900
Source: USAID Digital Payment Survey with Merchants, N=900

~60% of digital acceptors paid suppliers in non cash form; merchants were likely to pay digitally if suppliers insisted

In what form do you pay your suppliers?¹
 (% of digital payment acceptors)

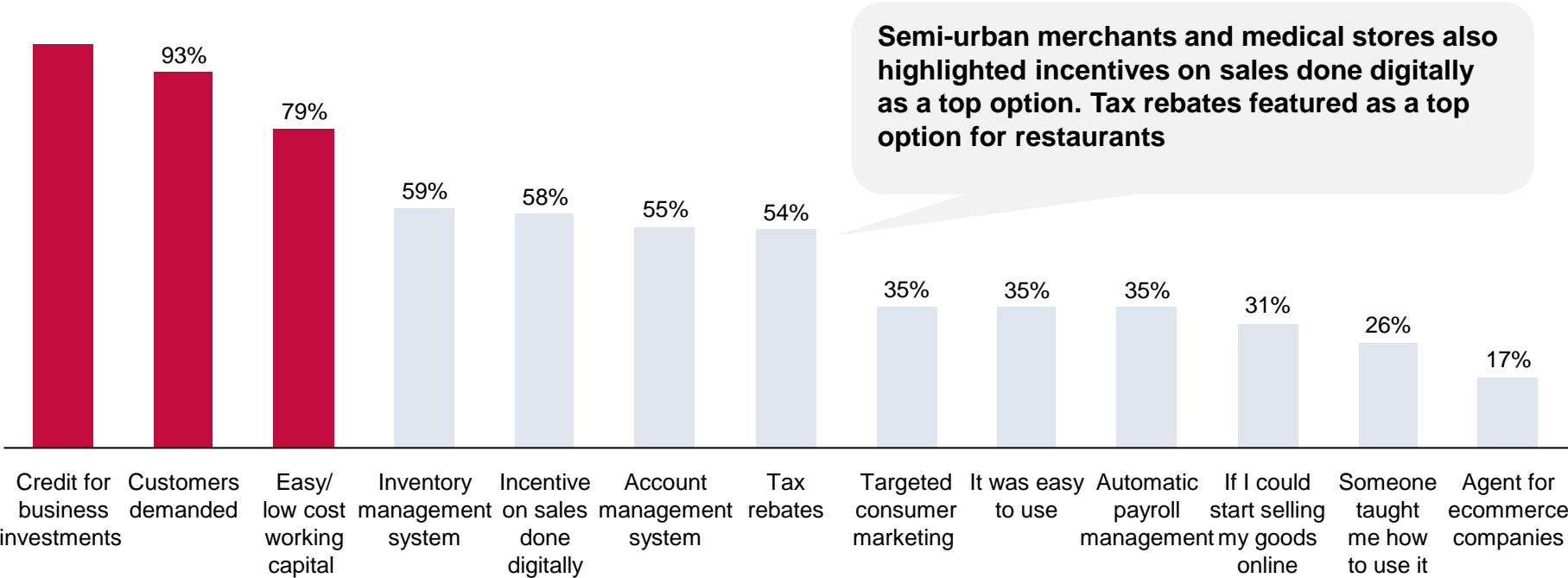
How likely are you to move to digital payments if your largest suppliers insisted that you pay digitally?²
 (% of merchants who paid in cash to suppliers)



(1) N=208, (2) 620, Digital payment acceptors are those that accept payment through card, mobile money and mobile/online bank transfer
 Source: USAID Digital Payment Survey with merchants, N=900

Credit as well as customer demand are the most attractive hooks for digital payment adoption

Cumulative ranking scores¹ of most attractive incentives for merchants
(answered by non-digital payment accepting merchants, % indexed to the highest ranked option)



N= 687 (1) Merchants were asked to give points from 1-5 (5 being the most attractive) to incentives, and then rank the top 3 incentives that they assigned a 4 or 5 to. We then allotted scores to normalize rankings from 1 – 3. Rank 1 was allotted a score of 3 , 2 was allotted a score of 2 and 3 was allotted a score of 1. The scores were then totalled, and indexed against the highest ranking incentive
 Source: USAID Digital Payment Survey with Merchants, N=900