Section 7
Measurement and Monitoring of Comprehensive Access to Financial Services

Chapter 7.1
Introduction and Strategic Direction

This section provides a framework and recommends strategies for the comprehensive measurement of financial inclusion and deepening, in order to track progress towards achieving the desired outcomes by the vision statements outlined in Chapter 2.1. A systematic measurement and monitoring framework provides crucial feedback loops to fine-tune strategies and refine policy action continuously as progress is made towards enhanced access to finance and financial depth.

To get a comprehensive view as mentioned in Chapter 2.2, existing supply-side data that is available is very limited. More granular data needs to be captured from every access point of the supply side. In addition, this data needs to be complemented from the demand side through representative consumer surveys to measure usage and affordability.

The following table summarises the monitoring strategies to be adopted to measure the progress towards achieving the goals outlined in Chapter 2.1.

Table 7.1.1
Summary of Measurement Strategy

#	Vision	Goal	Desired Outcome	Current Status	Measurement Strategy
1	A Universal Electronic Bank Account	Each Indian resident, above the age of 18	100% by January 1, 2016	All India 36% with Urban India 45%; and Rural India 32%	Granular reporting of unique savings bank account data by all banks at each transaction point.
2	Ubiquitous Access to Payment Services and Deposit Products at Reasonable Charges	Full services access point within a fifteen minute walking distance from every household in India	Density of 1 per sq.km with population of 400 people, across the country by January 1, 2016	Density ranges from 89% in Urban Districts and 3% in Rural Districts, calculated at a district level	Spatial analysis using geo-location data of payment network collected at each transaction point.
		Reasonable Charges	Reasonable charges	Charges range from 0% to 5% for different classes of customers	Data on charges of payment access points from representative survey of consumers.
		At least one product with positive real returns	By January 1, 2016	None; the best available rate is -1.95%	Data on rates of interest of bank accounts.
3	Sufficient Access to Affordable Formal Credit	Credit to GDP Ratio in every District of India to cross 10% Credit to GDP Ratio in every District of India to cross 50%	100% of districts by January 1, 2016 100% of districts by January 1, 2020	94% of the Urban Districts and 30% of the Rural Districts 18% of the Urban Districts and 2% of the Rural Districts	District level aggregated credit data from granular supply side reporting (geo-location data) by formal credit providers collected at each transaction point. GDDP data collected by the respective State Planning Commissions to be aggregated by the Planning Commission of India.

		Credit to GDP Ratio for every “significant” sector of the economy to cross 10%	100% of “significant” sectors by January 1, 2016	All sectors (agriculture, industry and services) appear to have crossed this limit however there are important sub-sectors that have not, such as Marginal, Small, Medium and Large Farmers and Services MSMEs.	BSR of RBI and Planning Commission data.
		Credit to GDP Ratio for every “significant” sector of the economy to cross 50%	100% of “significant” sectors by January 1, 2020	Only Industry as a broad sector has crossed this limit.	
		Convenient Access	Density of 1 per 10,000 people, across the country, by January 1, 2016	99% in Urban Districts and 92% in Rural Districts, calculated at a district level. Excluding PACS, rural access drops to 59%.	Spatial analysis using geo-location data of formal credit providers collected at each transaction point.
		Affordable Rates	Ordinal by risk level in the long-run after adjusting for “reasonable” transactions charges	Very high levels of violations of ordinality within the formal system and in the economy as whole	Data on cost by source of borrowing from a representative survey of consumers.
4	Universal Access to a Range of Deposit and Investment Products at Reasonable Charges	Deposit & Investments to GDP Ratio in every District of India to cross 15%	100% of districts by January 1, 2016	99% of the Urban Districts and 36% of the Rural Districts	District level aggregated savings & investment data from granular supply side reporting (geo-location data) by providers of formal savings & investment products collected at each transaction point.
		Deposit & Investments to GDP Ratio in every District of India to cross 65%	100% of districts by January 1, 2020	35% of the Urban Districts and 4% of the Rural Districts	GDDP data collected by the respective State Planning Commissions to be aggregated by the Planning Commission of India.

		Reasonable Charges	Reasonable charges	Charges range from 0% to 11.9% for different amounts and for different products.	Data on fees & charges relating to investment products from representative survey of consumers.
5	Universal Access to a Range of Insurance and Risk Management Products at Reasonable Charges	Total Term Life Sum Assured to GDP Ratio in every District of India to cross 30%	100% of districts by January 1, 2016	No data	District level aggregated data from granular supply side reporting (geo-location data) by formal insurance providers collected at each transaction point.
		Total Term Life Sum Assured to GDP Ratio in every District of India to cross 80%	100% of districts by January 1, 2020	No data	GDDP data collected by the respective State Planning Commissions to be aggregated by the Planning Commission of India.
		Reasonable Charges	Reasonable charges	Charges range from 2% to 15% on different products	Data on premiums and charges (not including premiums) from representative survey of consumers.
6	Right to Suitability	All financial institutions to have a Board approved Suitability Policy.	100% of financial institutions by January 1, 2015	This is not required or present in any institution today.	Data on grievance redressal from external grievance redressal mechanism such as the FRA or from the Banking Ombudsman, SEBI, and IRDA.
		Presence of district level redressal offices for all customers availing any financial service	100% of districts by January 1, 2016	There are 15 offices of the Banking Ombudsman covering the entire country today	Geo-location of all physical locations of all district level offices.

Chapter 7.2
Ubiquitous Electronic Payments Network and Universal Access to Savings

Vision 1: Universal Bank Account: By January 1, 2016 each Indian resident, above the age of eighteen years, would have an individual, full-service, safe, and secure electronic bank account.

A major drawback of the number of savings bank accounts reported by the RBI Basic Statistical Returns tables is that it does not factor uniqueness[287]. In order to gain a more accurate picture of universal bank account holdings, a measure of unique full service bank accounts needs to be constructed and reported at the end of each quarter. In view of the complexities associated with measuring unique accounts, there is a need to track unique accounts within banks. As a caveat, these metrics do not factor multiple account holdings across different banks. However, they represent an effective "upper bound" measure of unique bank account holdings. A nationally representative demand-side survey, as proposed in Chapter 7.7, would provide an estimate of the adjustment factor for cross-bank multiple accounts so that unique bank account holdings may be estimated.

In order to obtain this data, the underlying transaction point data from individual banking institutions would need to be gathered using a geo-location collection and mapping strategy as described in Chapter 7.6 and be aggregated to report the district level penetration data for unique bank accounts.

Vision 2: Ubiquitous Access to Payment Services and Deposit Products at Reasonable Charges: By January 1, 2016, the number and distribution of electronic payment access points would be such that every single resident would be within a fifteen minute walking distance from such a point anywhere in the country. Each such point would allow residents to deposit and withdraw cash to and from their bank accounts and transfer balances from one bank account to another, in a secure environment, for both very small and very large amounts, and pay "reasonable" charges for all of these services. At least one of the deposit products accessible to every resident through the payment access points would offer a positive real rate of return over the consumer price index.

1. Granular distribution: Presently available statistics of the payment access point network (which includes the bank branches, BC outlets, ATMs, and POS terminals) show significant spatial variations at the state and region levels. However, for a much more granular measurement of progress towards the vision on ubiquity of payment architecture, it would be important to track physical presence of payment points in every sq. km. with a population of at least 400 people in each district in terms of the following metrics[288]:

    a. Number of 1 sq. km. patches with a population greater than 400 people
    b. Geo-spatial location of each payment point
    c. Coverage ratio: Number of contiguous 1 sq. km. patches having a population of at least 400 with at least one payments point, as a ratio of the total number of contiguous 1 sq. km. patches with population of at least 400 in the district

    The underlying data should be collected using a geo-location collection and mapping strategy as described in Chapter 7.6.

2. Reasonableness of fees: In order to assess the reasonableness of fees associated with payment services, a representative consumer survey would need to be undertaken every year that would provide an estimate of the usage and the fees associated with

usage of payment points. The representative consumer survey, as outlined in Chapter 7.7 will collect information on the following parameters:

a. Transaction frequency in a typical month by types of services offered (deposit, withdrawal, payments, and remittances)
b. Cost of usage of payment access points for deposit, withdrawal, payments, and remittances

3. Instances of denial: Physical presence of payment access points is a necessary condition for ubiquitous access, but it is also important to track whether citizens are experiencing denial of services at these points. Data on instances of denial of payment service by the provider and reasons for denial of services need to be collected using a representative consumer survey described in Chapter 7.7. Based on the survey output, the Committee recommends reporting the following data for each financial year:

   a. Total number of denials
   b. Reasons for denial (related to technology, cash, service, fee, or interoperability)

In addition to the task of mandatory reporting of savings bank account data at the transaction points, reporting the following additional data can provide important insights in assessing the progress towards universal account holding (Vision 1).

1. Active accounts: Recognising the importance of usage in addition to the access to such accounts, the Committee recommends reporting and tracking "active" accounts as defined by a frequency of usage metric. Presently, the G20 Financial Inclusion Indicators as recommended by the Global Partnership for Financial Inclusion (GPFI) defines high frequency accounts as those recording 3 or more debit transactions in a month[289]. This data is presently captured by the World Bank's Global Findex database, which tracks the financial inclusion data of 188 countries[290]. A lower frequency of transactions can also signify activity and thus active accounts may be defined as those with at least 3 debit transactions per quarter. Tracking inactive bank accounts would also be useful.

2. Accounts of Low income households and small businesses: To capture the progress of universal account holding among low income households and small businesses, banking institutions would need to report the unique account data disaggregated for low balance accounts (Rs. 1,000 or less), Direct Benefit Transfer (DBT) recipients, and Current Accounts. All of these would be tracked for every district at a quarterly frequency.

3. Additional Coverage ratios: It would also be important to measure and report coverage ratios of these metrics by the individual institutions for each district at a quarterly frequency, where the definitions of the coverage ratios are provided in Table 7.2.1.

Table 7.2.1
Coverage Ratio Definitions

Metric	Ratio
Unique bank accounts	# of unique accounts/eligible population (aged 18 and above)
Unique & active bank accounts	# of unique & active accounts /# of unique bank accounts
Unique low balance accounts	# of unique accounts with an average balance of up to Rs. 1,000 /#of unique bank accounts

Unique and active low balance accounts	# of unique & active accounts with an average balance of up to Rs. 1,000 /# of unique and active bank accounts
Unique DBT recipients	# of unique DBT accounts/# of unique bank accounts
Unique and active DBT recipients	# of unique & active DBT accounts/# of unique and active bank accounts
Unique current accounts	# of unique current accounts/# of businesses
Unique & active current accounts	# of unique & active current accounts/# of unique current accounts

Banking institutions should report these ratios at the branch level so that the district level aggregated data can be generated using the geo-location collection and mapping strategy as described in Chapter 7.6.

Chapter 7.3
Sufficient Access to Affordable, Formal Credit

Vision 3: Sufficient Access to Affordable Formal Credit: By January 1, 2016, each low-income household and small-business would have "convenient" access to formally regulated lenders that have the ability to assess and meet their credit needs, and offer them a full-range of "suitable" credit products, at an "affordable" price. By that date, each District and every "significant" sector (and sub-sector) of the economy would have a Credit to GDP ratio of at least 10 per cent on January 1, 2016. This ratio would increase every year by 10 per cent with the goal that it reaches 50 per cent by January 1, 2020.

1. Physical presence of formal lenders: To assess the progress of extending the network of formal lenders (Bank and NBFC branches) in every Gram Panchayat and urban centre with a population of 10,000, the Committee recommends the tracking of the physical presence of formal and active credit providers in every contiguous 25 sq. km. patch[291] for each district in every quarter. An "active" credit provider should have disbursed at least one loan per month. The following metrics need to be tracked:

    a. Number of 25 sq. km. patches having a population of at least 10,000 people
    b. Geo-spatial location of each credit access point
    c. Coverage ratio: Number of contiguous 25 sq. km. patches having a population of at least 10,000, with at least one formal, physically present, and active credit provider as a ratio of the total number of contiguous 25 sq. km. patches with population of at least 10,000 in the district

    The underlying data should be collected using a geo-location collection and mapping strategy as described in Chapter 7.6.

2. District-level Credit Depth: In order to assess the depth of credit, the following credit depth metrics for each district based on total credit outstanding statistics (from the Basic Statistical Returns data of the RBI) and the respective GDDP data (to be obtained from the data reported by State Planning Commissions) and should be reported in the form of the following metrics:

    a. Quantum of credit outstanding in district
    b. District GDP
    c. District level Credit Depth defined as the ratio of quantum of credit outstanding in district to district GDP

3. Sectoral Credit Depth: In order to assess the depth of credit outstanding to the various sectors/sub-sectors of the economy, the Committee recommends the following sectoral metrics be tracked and reported:

    a. Quantum of credit outstanding for each sector or sub-sector of the economy that contributes more than 1 per cent to national GDP
    b. Sector GDP for each sector or sub-sector of the economy that contributes more than 1 per cent to national GDP
    c. Sectoral Credit Depth defined as the ratio of credit outstanding to each sector or sub-sector relative to its respective sectoral GDP

    The statistics published by the Planning Commission of India will be the source of the sectoral GDP data. The underlying credit data should be collected using a geo-location collection and mapping strategy as described in Chapter 7.6. It is noteworthy that the sectoral disaggregation as presently reported by the RBI does not match with the sectoral disaggregation as followed by the Planning Commission. Hence, to resolve the issue of non-comparability, it is desirable that RBI should adopt the Planning Commission's sectoral break up for reporting sectoral credit data.

4. Cost of credit: In addition to ensuring convenient and sufficient access to formal credit, it is also important to ensure that the formal credit is available at a rate which is affordable to low income households and small businesses. The metrics recommended for assessing the cost of formal credit are as follows:

    a. Average nominal interest rates charged by formal lenders (banks, NBFCs) to households for following categories: consumption smoothing or emergency (unsecured and secured), education, housing, and crop loans

    b. Average nominal interest rates charged by formal lenders (banks, NBFCs) to small businesses for the following loans: short term, long term, and working capital loans

    A nationally representative consumer survey should be undertaken to collect the underlying data, as described in Chapter 7.7.

The following additional data should also be reported so as to gain deeper insights on the penetration of formal credit into low income households and small businesses.

1. Distribution of credit accounts: In order to assess the distribution of credit accounts as a measure of access to credit, it should be required that the following metrics aggregated at the district level be tracked for every quarter:

    a. Total number of outstanding credit accounts by size (up to Rs. 50,000, Rs. 50,000 to Rs. 1,00,000, Rs. 1,00,000 to Rs. 2,00,000 and above Rs. 2,00,000)

2. Types of products offered: For tracking whether formal lenders are offering credit products to cater to various needs of the customers, the following metrics aggregated need to be tracked at the district level for every quarter:

    a. Total number of formal and physically present lenders (banks, NBFCs) offering loans to households for following categories: consumption smoothing or emergency (unsecured and secured), education, housing, and crop loans

    b. Total number of formal and physically present lenders (banks, NBFCs) offering loans to small businesses for the following categories: short term, long term, and working capital loans

    The underlying data should be collected using a geo-location collection and mapping strategy as described in Chapter 7.6.

3. Performance of credit: In order to assess the performance of credit, the following metrics should be tracked and reported across bank branches and NBFC outlets in each district and each sector (and sub-sector):

    a. Number of non-performing assets
    b. Quantum of gross non-performing assets
    c. Ratio of gross non-performing assets to gross advances
    d. Quantum of net non-performing assets
    e. Ratio of net non-performing assets to net advances

The underlying data should be collected using a geo-location collection and mapping strategy as described in Chapter 7.6.

Chapter 7.4
Universal Access to Investment and Risk Management Products

Vision 4: Universal Access to a Range of Deposit and Investment Products at Reasonable Charges: By January 1, 2016, each low-income household and small-business would have "convenient" access to providers that have the ability to offer them "suitable" investment and deposit products, and pay "reasonable" charges for their services. By that date, each District would have a Total Deposits and Investments to GDP ratio of at least 15 per cent. This ratio would increase every year by 12.5 per cent with the goal that it reaches 65 per cent by January 1, 2020.

1. Investment Depth: In order to assess investment depth, the provider specific total deposit and investment data needs to be aggregated at the district level and collated against the GDDP data to produce the following metrics:

   a. Quantum of total deposits and financial investments in district
   b. District GDP
   c. District level Investment Depth defined as the ratio of quantum of total deposits and financial investments in district to district GDP

   Deposit and investment data be collected using a geo-location collection and mapping strategy as described in Chapter 7.6 and the GDDP data be collected from the State Planning Commissions.

2. Costs of Investment products: In order to assess whether the formal financial services providers are offering investment products at a "reasonable cost", it is essential to collect data on various costs that consumers incur while investing in mutual funds, pension funds, endowment products offered by insurance providers, equity, and bonds. These metrics related to the cost of investment products should be reported using a representative consumer survey as described in Chapter 7.7.

Vision 5: Universal Access to a Range of Insurance and Risk Management Products at Reasonable Charges: By January 1, 2016, each low-income household and small business would have "convenient" access to providers that have the ability to offer them "suitable" insurance and risk management products which, at a minimum allow them to manage risks related to: (a) commodity price movements; (b) longevity, disability, and death of human beings; (c) death of livestock; (d) rainfall; and (e) damage to property, and pay "reasonable" charges for their services. By that date, each District would have a Total Term Life Insurance Sum Assured to GDP ratio of at least 30 per cent. This ratio would increase every year by 12.5 per cent with the goal that it reaches 80 per cent by January 1, 2020.

1. Term Life Insurance depth: In order to assess the sufficiency of term life insurance access, the following metrics should be aggregated at the district level from each access point of each service provider:

   a. Quantum of term life sum assured in district
   b. District GDP
   c. Ratio of term life sum assured in district to district GDP

   The underlying insurance sum assured data should be collected using a geo-location collection and mapping strategy as described in Chapter 7.6, while the GDDP data should be collected from the State Planning Commissions.

2. Insurance costs: In order to assess costs of accessing insurance products, the following data needs to be collected in the representative customer survey:

    a. Term Life insurance premium paid
    b. Other costs incurred in addition to the premium

The following additional data should also be reported so as to gain deeper insights on the penetration of deposit and investment products:

1. Types of deposit and investment products offered: For tracking whether the formal financial services providers are offering deposit and investment products to cater to various short, medium and long term goals of the customers (Vision 4), there is a need for quarterly tracking of the following metrics aggregated at the district level:

    a. Total number of formal and physically present financial services providers (Banks, BCs, and NBFCs) offering one or more the of following product categories: Mutual Funds, Pension funds, Insurance with endowment plans, Equity, Bonds, and Derivatives

    This data should be collected using a geo-location collection and mapping strategy as described in Chapter 7.6.

2. Types of products offered: For assessing whether the formal financial services providers are offering insurance products sufficient to cater to various risk management needs of the customers and businesses (Vision 5), there is a need for quarterly tracking of the following metrics aggregated at the district level:

    a. Total number of formal and physically present financial services providers offering the following insurance products to manage risks relating to: commodity price movements; longevity, disability, and death; death of livestock; rainfall; and damage to property

    This data should be collected using a geo-location collection and mapping strategy as described in Chapter 7.6.

Chapter 7.5
Customer Protection

Vision 6: Right to Suitability: Each low-income household and small-business would have a legally protected right to be offered only “suitable” financial services. While the customer will be required to give “informed consent” she will have the right to seek legal redress if she feels that due process to establish Suitability was not followed or that there was gross negligence.

1. Existence of Board approved Suitability Policy: In order to track the existence of Board approved Suitability Policy at every financial institution, there is a need to track the number of financial institutions with a Board approved Suitability Policy.

2. Presence of district level redressal offices: In order to track the presence of district-level redressal offices for all customers availing any financial service, there is a need to track the number of districts with at least 1 grievance redressal office for banking services, credit products, investment products, and insurance products

In order to gain a more comprehensive perspective of customer protection, there is a need to measure and monitor the following grievance redressal metrics from the Banking Ombudsman, SEBI, and IRDA. Based on the approach of Australia’s Financial Ombudsman Service (FOS), Table 7.5.1, while not exhaustive, illustrates the kind of information that needs to be tracked and reported by the respective regulator[292].

Table 7.5.1: Customer Grievance Redressal										
Type of issue cited by customer	Type of resolution			If external, ruling of the grievance redressal authority				Penalty imposed by grievance redressal authority		
	Resolved by agreement (internal)	Resolved by the grievance redressal authority (external)	Under processing	Failure to disclose critical feature of the product	Action arising from conflict of interest	Failure to establish Suitability process	Failure to follow Suitability process	Amount of financial penalty (Rs.)	Revocation of licence	Restriction of services
I was charged an excessive amount for the financial product/service										
I experienced financial distress because my expectations did not materialise										
I experienced financial distress because I was misinformed about the product										
I did not need the product/service but was tricked into buying it										
Product exclusion criteria was not properly explained to me										

Chapter 7.6
Supply Side Strategy

All formal providers of financial services to households and small businesses should report the following data on a quarterly basis about every access point i.e. branches, outlets, BCs, ATMs, and POS terminals, as applicable.

Table 7.6.1

Data Requirement	
Location	1. Geo-coordinates (latitude and longitude in degrees, minutes, and seconds) 2. District
A Universal Electronic Bank Account	3. Number of accounts (#) 4. Number of unique accounts (#) 5. Number of active (with at least 3 debit transactions in a quarter) unique accounts (#) 6. Number of active accounts with average balance of up to Rs. 1,000 (#) 7. Number of active DBT recipients (#) 8. Number of active current accounts (#) 9. Number of unique inactive accounts (#)
Ubiquitous Access to Payment Services and Deposit Products at Reasonable Charges	10. Services offered (Y/N): Deposits; Withdrawals; Transfers; and Remittances 11. Number of transactions (#):Deposits; Withdrawals; Transfers; Remittances; and Total 12. Quantum of deposits (Rs.): Savings account; Current account; Term deposits; and Total
Sufficient Access to Affordable Formal Credit	13. Services offered (Y/N): a. Household: Crop; Consumption smoothing; Housing; and Education b. Small business: Short-term; Long-term; and Working Capital 14. Number of accounts (#) a. Loans to household by category: Crop; Consumption smoothing; Housing; Education b. Loans to household by size: Up to Rs. 50,000; Above Rs. 50,000 up to Rs. 1,00,000; Above Rs. 1,00,000 up to Rs. 2,00,000; Above Rs. 2,00,000 c. Loans to small business: Short-term; Long-term; and Working Capital d. Total 15. Quantum of credit outstanding (Rs.) a. Sector/sub-sector deployed (categories according to the Planning Commission) 16. Quantum of non-performing assets (Rs.) a. Total net b. Total gross 17. Ratio of non-performing assets (%) a. Gross NPAs as a percentage of gross advances b. Net NPAs as a percentage of net advances
Universal Access to a Range of Deposit and Investment Products at Reasonable Charges	18. Services offered (Y/N): Mutual funds; Pension funds; Insurance with endowment plans; Equity; Bonds; and Derivatives 19. Quantum of investments (Rs.): Mutual funds; Pension funds; Insurance with endowment plans; Equity; Bonds; Derivatives

Universal Access to a Range of Insurance and Risk Management Products at Reasonable Charges	20. Insurance and risk management services offered - products to manage risk related to (Y/N): Commodity price movements; Longevity, disability, and death; Death of livestock; Rainfall; Damage to property 21. Number of Term Life insurance policies outstanding (#) 22. Quantum of Term Life sum assured (Rs.)
Right to Suitability	23. Existence of Board approved Suitability Policy (Y/N) 24. Presence of grievance redressal offices at the district level (to be reported by the respective regulator) for: Banking services; Credit products; Investment products; and Insurance products

Data verification: In addition, this data should be verified periodically by the RBI using standardised quality control and follow up visits conducted by trained enumeration field teams within randomly selected sub samples.

Coordination among various regulators for collecting data: The task of reporting additional granular level of supply side data require systematic coordination among various regulators such as the RBI, SEBI, IRDA, PFRDA etc. The RBI should take the initiative to ensure that the reporting requirements of various entities under these regulators are smoothly met and the relevant data be shared seamlessly.

Geo-spatial mapping: The geo-location data for every financial services access point should be additionally presented in the form of an interactive national map[293]. The presence of every financial services access point will allow the regulator to gain a spatially granular sense of the number of payment points and formal lenders in every sq.km. of the country. Furthermore, this data can be overlaid with a population density layer which can be obtained readily using sources such as AsiaPop[294] or created using demographic data from the latest Census, thus enabling the creation of a picture of the density of access points relative to population. The district-level depth of credit, investment, and insurance should also be presented using the mapping framework.

Chapter 7.7
Demand Side Strategy

There is a need for the collection of data through nationally representative surveys of consumers to gain a more accurate picture of progress towards achieving the desired outcomes outlined by the vision statements. While this strategy seeks to measure access, usage, and affordability of financial services, the measurement and assessment of financial outcomes of households is beyond its scope.

The Committee recommends undertaking two types of consumer surveys:

1. Financial Access & Usage Survey: A nationally representative survey of consumers undertaken annually to collect data on access and usage of financial services

2. Cost & Return Survey: A nationally representative survey of consumers undertaken triennially to collect data on
    a. Cost & sufficiency of formal credit; and
    b. Cost of investment products & returns from investment products.

Financial Access & Usage Survey:
It is envisaged that the bulk of the monitoring data will be based on the granular data to be shared by the financial institutions. However, it is also useful to collect information on access and usage of formal financial services from the consumers to complement supply side statistics. Specifically, the Committee recommends that the following metrics need to be captured from the demand side at an annual frequency.

1. Universal bank accounts:
    a. Percentage of customers with a unique bank account
    b. Usage of bank accounts
    c. Major barriers to usage

2. Access and usage of payments points:
    a. Distance to the nearest payment access points
    b. Use of various types of services at the payment access points and the respective charges & fees that consumers incur
    c. Incidences of denials to access to the payment points

3. Access to formal lenders and usage of formal loan
    a. Distance to the nearest formal lender
    b. Types of credit products available
    c. Usage of credit products

4. Access to formal savings and investment and usage of savings & investment product:
    a. Types of savings and investment products available
    b. Usage of savings & investment products

5. Access to formal insurance products and usage of insurance products:
    a. Types of insurance products available
    b. Usage of insurance products

Strategies for Undertaking Financial Access & Usage Survey: One strategy for collecting the nationally representative demand side data on access and usage of financial products at an annual frequency could be to incorporate additional modules in nationally representative surveys that are being undertaken for other purposes by institutions such as the National Sample Survey Organisation (NSSO) and the Centre for Monitoring Indian Economy (CMIE).

The NSSO adopts a robust sampling strategy to undertake representative sample surveys for collecting data on various socio economic indicators. However, NSSO does not generally undertake a sample survey every year, and thus, might not be an ideal source for monitoring annual progress. CMIE, on the other hand, undertakes a survey of over 150,000 households every quarter covering 312 cities and 98 rural regions in India collecting data on household income, household expenses, pattern of expenditure, household savings and investments, the pattern of investments, borrowings and the sources and uses of the borrowings. Given that this survey (known as Consumer Pyramids[295]) has a fairly extensive coverage, and undertaken every quarter, it could become a potential source for implementing the annual financial access surveys as recommended by the Committee.

Cost & Return Survey:
Affordability of formal financial services plays a critical role in ensuring that low income households and small businesses can adopt formal financial products that are made available to them by financial inclusion initiatives. Assessing the price that customers pay to avail various formal financial products should thus become an integral part of the monitoring framework. However, the task of assessing the cost of various financial products from the consumers requires undertaking in-depth surveys designed to understand affordability of formal finance including the sticker price, transaction costs and other fees and charges.

At the same time, it is also important to track whether low income households and small businesses have access to formal investment products that offer them real returns. Thus, it is also essential to collect data on the real (inflation adjusted) return on investment that low income households and businesses gain from formal investment using demand side data.

Towards these objectives, the Committee recommends undertaking an in-depth demand side survey which will assess the cost of financial products as incurred by low income households and small businesses and estimate the returns offered by the available formal investment products. It is suggested that the methodology adopted for collecting the data on costs of formal financial services and returns offered by investment products should be academic in rigour to produce data of highest quality. Specifically, the Committee recommends that the following metrics need to be captured from the demand side at a triennial frequency:

1. Affordability of formal finance:
    a. Households' borrowing from various formal sources
    b. Interest rates charged by banks, NBFCs, and PACSs to households for the following formal credit products: consumption smoothing/ emergency loan (secured and unsecured); Education loan; Housing loan; Crop loan
    c. Interest rates charged by banks, NBFCs, and PACSs to small businesses for the following credit products: Short term loan; Long term loan; Working capital loan
    d. Transaction costs and other charges:

        i. Incurred by households for the following credit products: consumption smoothing/ emergency loan (secured and unsecured); Education loan; Housing loan; Crop loan
        ii. Incurred by small businesses for the following credit products: Short term loan; Long term loan; Working capital loan
    e. Sufficiency of formal credit:
        i. Borrowing from formal sources as a percentage of total borrowing per household
        ii. Borrowing from formal sources as a percentage of total borrowing per small business unit

2. Cost of investment products:
    a. Types of investment products availed
    b. Charges including the processing and transaction related charges for the following products: Mutual Funds; Endowment products offered by insurance companies; Equity; Bonds; Derivatives

3. Returns from investment products:
    a. Nominal return from investment products: Mutual Funds; Endowment products offered by insurance companies; Equity; Bonds; Derivatives

<u>Strategies for Undertaking Cost & Return Survey</u>: Given that for assessing various costs associated with formal financial products and returns from investment products one needs to undertake rigourous primary data collection following a very well executed survey design, this must be undertaken as a standalone nationally representative consumer survey. Given the complexities involved in designing the survey and analysing the survey outputs, the Committee recommends that this survey be delegated to institutions which have appropriate capacity and expertise in conducting such nationally representative surveys with the required academic rigour. Institutions such as the National Council of Applied Economic Research (NCAER) and the Centre for Microfinance, IFMR Research, which have expertise in undertaking rigourous primary survey, can be considered for the task of undertaking the cost and return survey.

The sampling plan for such a survey and the coverage required need to be determined based on the targeted level of representation and nature of the data required. If a district level representation is preferred over a State level representation, a large sample is required which calls for significantly more funding[296]. Also, as the cost and returns are less likely to change frequently, the Committee recommends that the survey should be undertaken at a triennial frequency.

Chapter 7.8
Recommendations Regarding Measurement and Monitoring of Comprehensive Access to Financial Services

In conclusion, this section makes the following recommendations:

7.1 RBI should mandate all formal providers of financial services to households and small businesses to report data on a quarterly basis at the level of each one of their access points such as branches, outlets, BCs, ATMs, and POS terminals, as applicable. This includes data on geo-spatial location, access, services offered, quantum of transactions, depth of penetration, and application of Suitability process. This data should be verified periodically by the RBI using standardised quality control and follow up visits conducted by trained enumeration field teams within randomly selected sub samples.

7.2 In order to measure access, usage, and affordability of financial services, RBI should mandate two surveys of consumers to gain a more accurate picture of progress towards achieving the desired outcomes outlined by the vision statements. The Financial Access & Usage Survey should be a nationally representative survey of consumers undertaken annually to collect data on access and usage of financial services and can be incorporated as additional modules in nationally representative surveys that are being undertaken for other purposes by institutions such as the National Sample Survey Organisation (NSSO) and the Centre for Monitoring Indian Economy (CMIE). The Cost & Return Survey should be a nationally representative survey of consumers undertaken triennially to collect data on costs of credit, insurance and investment products, as well as returns on deposits and investment products. For this survey, RBI should commission institutions which have appropriate capacity and expertise in conducting such nationally representative surveys with the required academic rigour.