



BUSINESS CORRESPONDENT MODELS IN BIHAR - CONSTRAINTS AND WAY FORWARD

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)
SEPTEMBER, 2014



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ABBREVIATIONS

AC	Area Co-ordinator
BC	Business Correspondent
BCA	Business Correspondent Agent
BCNM	Business Correspondent Network Manager
BF	Business Facilitator
BKGB	Bihar KshetriyaGramin Bank
BSBD	Basic Savings Bank Deposit
CBI	Central Bank of India
CDMA	Code Division Multiple Accesses
CDOT	Centre for Development Orientation and Training
CEO	Chief Executive Officer
CSP	Customer Service Point
DC	District Co-ordinator
ED	Executive Director
FI	Financial Inclusion
GCC	General Credit Card
GPRS	General Packet Radio Service
GSM	Global System for Mobile communications
INR	Indian National Rupee
KCC	Kisan Credit Card
MFI	Micro Finance Institution
MNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
NBFC	Non-Banking Financial Company
NFC	Near Field Communication
NFSA	No Frills Savings Accounts
NGO	Non-Governmental Organisation
PBKGB	Pashchim Bengal KshetriyaGramin Bank
PNB	Punjab National Bank
POS	Point Of Sale
PSIG	Poorest States Inclusive Growth
PSTN	Public Switched Telephone Network
RRB	Regional Rural Bank
SHG	Self Help Groups
SLBC	State Level Banker's Committee
SMS	Short Messaging Service
SSP	Social Security Pension
TSP	Technical Service Provider
USSD	Unstructured Supplementary Service Data

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EXECUTIVE SUMMARY

BACKGROUND

Poorest States Inclusive Growth (PSIG) Programme supported by UKAid through DFID, aims to improve access to financial services for 12 million low income households primarily focussed towards women. The programme is being implemented by the **Small Industries Development Bank of India (SIDBI)**.

PSIG had commissioned *MicroSave* to conduct a study on “**Business Correspondent Models in Bihar- Constraints and Way Forward**” to improve the current body of knowledge around the status of the BC model in Bihar and provide recommendations to improve its effectiveness and to offer inputs to policy makers.

STUDY APPROACH AND METHODOLOGY

MicroSave conducted a preliminary analysis of prominent BCs in Bihar- identifying key challenges and issues. Interactions were held with key financial stakeholders to understand institutional and implementation challenges. As an outcome, an overview report which identified successful models/institutions in terms of their institutional strength to achieve scale and sustainability was prepared. Detailed institutional assessments were carried out for four identified Banking Correspondent Network Managers (BCNMs) viz. (i) Society for the Advancement of Village Economy(SAVE) (ii) Sanjivani Vikas Foundation (SVF) (iii) FINO Paytech Ltd. and (iv) Centre for Development Oriented Training (CDOT). These BCNMs were identified based on a ranking exercise which considered aspects like active customer base of BCs, business viability (BCs and CSPs), service offerings, active CSPs and their attrition rate, awards and recognition received, number of banking partners and BCs’ profitability status.

Individual assessment reports were prepared for these BCNMs which presented a holistic view of their organisational structure, operational model, human resource management, financial management, risks and challenges, client protection practices, SWOT analysis and critical success factors. Detailed case studies were then prepared for a few successful Customer Service Points (CSPs) of each BCNM. These case studies contain the detailed day to day functioning of the CSP and the innovative ways in which CSPs increase footfall and handle client protection, amongst other activities.

Two round table discussions/conferences were also organised with participation from PSIG, key personnel from SIDBI and UKAid, government officials, and policy makers including RBI, bankers, and members from the business correspondent fraternity.

STATUS OF THE BANK-BC MODEL IN BIHAR

As of January 2013, SLBC Bihar, with SBI as its convenor, is constituted by 40 banks representing nationalised, regional, and private banks. The state is presently served by 33 commercial banks, 3 Regional Rural Banks (RRBs), a State Cooperative Bank, and 22 District Central Cooperative banks. Based on the information available on SLBC Bihar website, there are more than 30 Institutional BCNMs and over 8,966 CSPs pursuing financial inclusion in Bihar. A detailed bank-wise break up is provided below:

Name of Bank	Number of CSPs	Name of Bank	Number of CSPs
Uttar Bihar Gramin Bank	2546	SKGB	226
State Bank of India	1557	Bank of Baroda	204
Punjab National Bank	932	Union Bank of India	167
Central Bank of India	875	Canara Bank	141
Madhya Bihar Gramin Bank	874	United Bank of India	69
Bank of India	368	Indian Bank	36
Bihar KshetriyaGramin Bank	356	Syndicate Bank	20
Allahabad bank	315	Oriental Bank of Commerce	9
UCO Bank	268	Indian Overseas Bank	3

Most banks in the state work with more than one BCNM, most notably SBI which works with 8 separate BCNMs. This allows the banks to cover a larger geographical area and increase their outreach. A number of banks also employ individual Business Correspondent Agents (BCAs) to carry out their FI activities. There is also an instance of a bank, in this case the Indian Overseas Bank, which works exclusively with individual BCAs and not through a BCNM. Also, a wide network had already been created in Bihar by the e-governance scheme of the Government of India. A total of 8,436 Common Service Centres (CSCs), which are locally known as ‘Vasudha Kendras’, are in the process of being set up under the National e-Governance Plan and this network could be leveraged to broaden the access to financial services.

FINDINGS FROM INSTITUTIONAL ASSESSMENTS

Institutional assessments of 4 promising BCNMs identified during the course of the study were carried out. Structured interviews were conducted with the management, the operations/field staff, agents and customers of the BCNMs, including the bank officials.

The major findings from the institutional assessments are listed below.

Success Factors

- Strong relationships with banks that the BCs are associated with.
- Stringent CSP selection criteria which has provided strong on-ground presence.
- Direct support & involvement of senior management of BCs, especially in field operations.
- Access to sources of working capital which in turn has enabled BCs to manage liquidity.

Risks and Challenges

- Lack of enabling infrastructure (power, road and GPRS connectivity).
- Absence of cash in transit and cash at point insurance for CSPs.
- Lack of on ground support and ownership of the model by bank branches.
- Technical challenges, lack of on field support by Technology Service Providers (TSPs).
- Low levels of financial literacy among the customer base.
- Unsustainable business models for agents (limited products, low commissions etc.) leading to agent attrition and denial of service to customer.
- Client Protection Challenges: Every Bank, BCNM and CSP has tried to address client protection. While processes exist, their efficacy is still unknown. Also these practices are often non-standard.

FINDINGS FROM CASE STUDIES

11 detailed case studies were prepared on successful CSPs from of each BCNM for which an institutional assessment was carried out. These case studies have detailed the day to day functioning of the CSP and identified innovative ways in which the agents increase footfall at their outlets and conduct other activities.

- Exemplary customer focus helped CSPs increase both business volume as well as revenue.
- Background of the CSP agent has enabled building of trust.
- Physical Infrastructure of CSPs mirrors those of a rural bank branch.
- CSPs engage with their local branches (link branch).
- CSPs have had to invest for basic infrastructure and there is no service denial due to poor liquidity, but raising money is not easy and it takes time.

The table below presents various parameters of the CSPs that were the focus of the case studies:

Parameters	SVF	SAVE	FINO	CDOT
Number of staff per CSP ¹	2	2	1	1
Agent's average monthly profitability	INR 10,000 per month	INR 12,000 per month	INR 2,000 to 3,000	INR 200 - 300 ²
Average Fixed investment per CSP (CAPEX)	INR 1 to 1.5 lakh	INR 1 to 1.5 lakh	INR 7,500	INR 15,000
Average On-going monthly expenses (OPEX)	INR 10,000 to 15,000	INR 10,000 to 15,000	INR 1,000	INR 1,000
Average number of clients per agent	500	653	1000	547

BEST PRACTICES OF THE CSPS

- **Record maintenance by agents:** Successful agents are in the habit of maintaining records of both transactions as well as customer enrolments.
- **Relationship with local bank staff / branch:** Another feature that defines successful BCAs is the kind of relationship they maintain with the bank staff of their local link branch. A positive relationship created by extensive stakeholder engagement allows CSP staff to be seen as an extension of the banking channel.
- **Financial Literacy initiatives by the Agent:** Some agents have taken up the onus of educating their customers about various banking products and the benefits of using the formal financial channel.
- **Offering non-financial services:** Some agents, in a bid to increase customer footfall, have started offering non-financial services which facilitate cross-selling.
- **Designated days for account opening:** Certain agents kept specific days for opening accounts in order to ensure better customer service. These days were communicated to potential customers in advance.
- **Technical / financial knowhow of agents:** Some agents have better technical knowhow than most of their peers. This enables them to solve most of the minor technical glitches that may affect them during the course of business.

¹Number of staff at the CSP includes the CSP-in-charge as well.

²CDOT agents are in the process of starting transactions and face significant delays in payments.

RECOMMENDATIONS

The study has identified eight key objectives which need to be met in order to increase the BC model's outreach and viability in Bihar. These are:

- i. Ensure sustainability of the CSPs** - Paying reasonable (3.14% fee was recommended by Nandan Nilekani headed committee for DBT transfers), adequate and timely commissions to agents and, expanding the range of products that BCNMs can offer. Commission research studies for arriving at viable costing and pricing of BCNMs and CSPs.
- ii. Enhance internal buy-in for BCs amongst banks and bank staff** - Low value transactions can be outsourced to CSPs. Banks should incentivise staff to leverage BC channel, where possible.
- iii. Building trust in BCs as an alternate, (but legitimate!) channel** – We should promote mass awareness campaigns and develop standardised messaging for CSPs. Banks should promote customer referrals from branches and develop standardised marketing collateral. BCNMs should reduce churn of CSPs, ensure stability of technology platform and establish adequate liquidity management systems.
- iv. Improve account activity and float** – Regulators to consider interoperability across BCNMs, raising limits on quantum of transactions and investing in financial literacy initiatives by conducting below the line (BTL) marketing activities.
- v. Enhance operational control and monitoring** - Bank to appoint dedicated field resources to manage and supervise the BC channel and ensure regular visit to CSPs by bank staff - eventually the channel is an outreach of the bank.
- vi. Establish better support systems** – Certain support systems are vital such as cash in transit insurance, institute a dedicated complaint resolution mechanism and ensure that the Technical Service Providers (TSPs) are available for complaint resolution.
- vii. Standardise Client / CSP protection systems** - Practices exist but are often not the same across the Banks, BCNMs and the CSPs. These need to be enhanced and standardised besides banks should take responsibility for all protection related aspects (Training, Liquidity, Fraud & Risk, Marketing / Pricing Collateral, etc.)
- viii. Improve the attractiveness of the FI sector for potential investors** - Connecting social investors, introducing tax breaks/holidays for BCNMs and increasing product portfolio offered through BC channel can enhance sector attractiveness.

IN CONCLUSION

The BC channel is a powerful outreach and extension mechanism which has the potential to provide low-cost banking services to the underserved and unreached segments. RBI was one of the pioneers in the world in terms of legitimising the agency channel based on the Khan Committee recommendations in 2006.

However, the BC channel has lurched from one challenge to another and large scale outreach and availability of formal financial services to the low-income segment remains a dream, despite the numbers shared in the public domain. Governments across states and the centre have remained focussed on opening of accounts. While this is an important and much needed first step, the key challenge of servicing these accounts through functional, trusted and secure agents remains. RBI, government agencies, banks, BCNMs, and development organisations will have to work together to get this channel operational. This report highlights some of the key constraints and challenges which impact the BC channel and provides recommendations which can address these issues. Policy makers, bankers, and the development community owe it to the nation's poor to make this channel successful since this will be an important first step towards their inclusion in various other programmes and projects which intend to uplift them from poverty.

SECTION 1: STUDY BACKGROUND AND DESIGN

The Samridhi - Poorest States Inclusive Growth (PSIG) Programme which is supported by UKAid through DFID, UK aims to enhance income and employment opportunities for the poor in eight low income states³ by enabling them to participate and benefit from wider economic growth in India. The programme is being implemented by Small Industries Development Bank of India (SIDBI). PSIG, whose focus is Financial Inclusion (FI) and women's empowerment, aims to improve access to a variety of financial services in low-income states during the project duration of six years.

The PSIG programme believes that the Business Correspondent (BC) model plays a very important role in enhancing financial inclusion among poor communities in India. However, even after several policy interventions to strengthen the BC Model, the experience so far has been mixed. A consensus that the scheme has not taken off in the way it was envisioned has emerged among the stakeholders. It is felt that the model has not achieved its full potential on account of unattractive incentive structures for business correspondents and low transaction volume. There has also been insufficient investment in design and compensation structures of the BC delivery channel and as a result, a majority of No-Frills Accounts (NFAs) remain inoperative.

However, these challenges could potentially be different in diverse contexts and there could be differences in the individual entrepreneurial capacity of BCs/Customer Service Points (CSPs). While there are several studies on the status of the BC model and its viability, there are none which analyse critical success factors for individual BCs or CSPs. The PSIG programme aims to work with all channels of financial inclusion, and through its interventions, hopes to improve the effectiveness of the BC model and add to the body of knowledge around these interventions.

The Programme is expected to leverage private sector financial and technical resources to reach up to 12 million direct and indirect beneficiaries. The main focus of the programme is to achieve:

- increased access for poor, especially women to financial services
- increased mobility of women to access financial services

With its focus on FI, the PSIG programme commissioned a study on “**Business Correspondent Models in Bihar- Constraints and Way Forward**” in 23 districts in Bihar with the key objective of improving the current body of knowledge around the effectiveness of the models, and provide recommendations on likely interventions in order to improve its effectiveness and to strengthen its policy advocacy initiatives. These states are highlighted in figure 1.

³These states are Bihar, Orissa, Madhya Pradesh, Uttar Pradesh, Chhattisgarh, Jharkhand, Rajasthan and West Bengal

Figure 1: Focus Districts in Bihar⁴



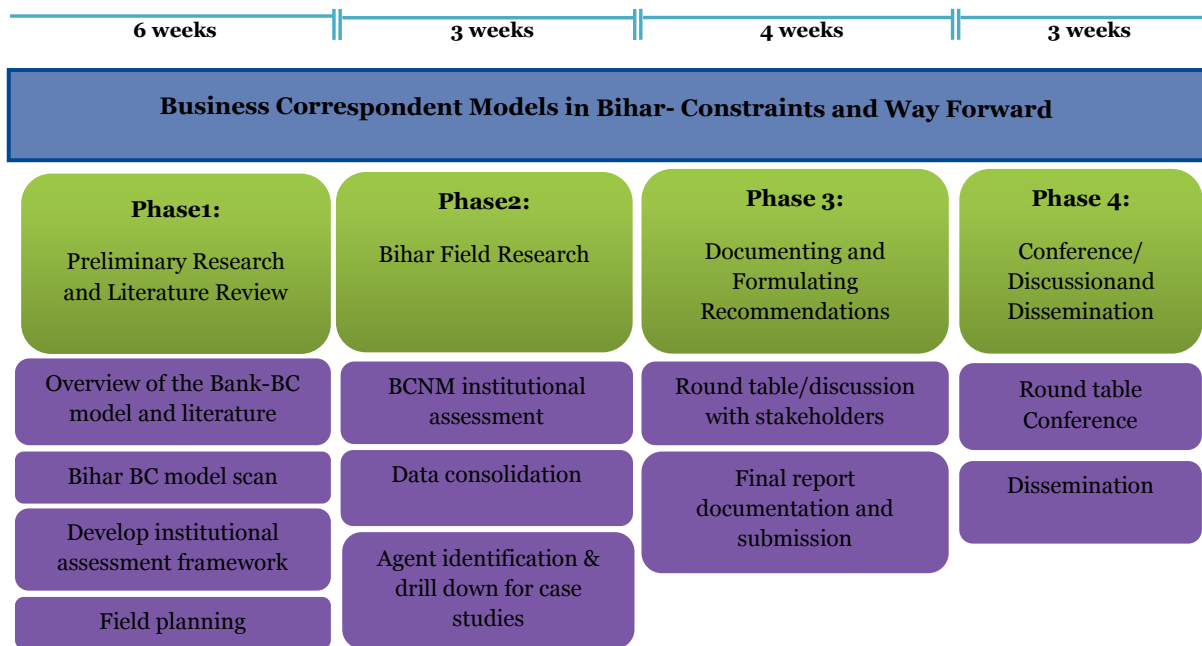
PROJECT OBJECTIVES

This study intended to improve the quantum and quality of available information pertaining to the effectiveness of the BC model in a state-wide context, provide recommendations on likely interventions to improve its effectiveness, and to strengthen policy advocacy initiatives.

The objectives of the study on “**Business Correspondent Models in Bihar- Constraints and Way Forward**” were:

- i. To understand the status of the Bank-BC channel, opportunities and key constraints in Bihar; especially with regard to the district wise coverage of customers by BC agents.
- ii. To identify and assess successful models/institutions in terms of their institutional strength and weaknesses to achieve scale and sustainability and document critical success factors.
- iii. To identify three successful CSPs for each of these models and document their experiences as case studies and identify critical success factors for each CSP.
- iv. To identify outreach, business volume, and revenue related issues that contribute to success or failure and comment on both agent economics and bank economics under the arrangement.
- v. To examine the support required from banks to make BC agents effective in their local areas.
- vi. To provide suggestions on improving the effectiveness of the BC model at the policy level, institutional level and CSP level.

⁴23 Focus Districts of Bihar under PSIG are- Saharsa, Khagaria, Araria, Jehanabad, Katihar, Purnia, Madhepura, Supaul, Nawada, Bhagalpur, Darbhanga, Kishanganj, Jamui, ⁴Madhubani, Banka, Samastipur, Sitamarhi, Munger, Lakhisarai, Sheohar, Gaya, Begusarai, Arwal



FOUR PHASED APPROACH

PHASE1: PRELIMINARY RESEARCH AND LITERATURE REVIEW

This phase covered four components viz., overview of the Bank-BC model and literature review, Bihar BC model scan, developing an institutional assessment framework and planning for the primary research.

To begin with, *MicroSave* undertook a desk-based exploratory BC sector study. For this purpose, we considered various policy interventions by the government and carefully evaluated the outcomes of these interventions. Further, in order to understand the status of service providers, *MicroSave* conducted a desk based exploratory study on the prominent business correspondent models prevailing in the country. We then prepared a list of successful BC models in the country and evaluated the identified BC model on the basis of the past and current status of operations. During this phase, *MicroSave* adopted a pan India focus with respect to evaluating the Bank-BC model and to bring out key constraints which act as a hurdle in implementation of a viable and sustainable model.

As per data published by SLBC, there are more than 30 BCNM's operational in Bihar. Gathering information regarding all these via secondary sources was tedious and not a productive exercise since a lot of information was unavailable in the public domain. We conducted an in-depth analysis of the top eleven of these BCNMs which were arrived at after analysis of operations and stakeholder consultations. From the top eleven BCNMs, we further shortlisted four for conducting institutional assessments. We took the following two-step approach to identify promising institutional models-

STEP 1- IDENTIFYING THE ELEVEN PROMISING INSTITUTIONAL MODELS

MicroSave performed a quick dipstick analysis of the all business correspondents operating in Bihar. This study was conducted off-site through a series of structured interviews with the Financial Inclusion Departments (FID) of RBI, NABARD & the State Level Bankers Committee (SLBC). The intent was to gain an understanding of the state of the sector in Bihar and develop a holistic understanding of the access to finance scenario of the state.

Following this exercise, we scheduled in-depth interviews/discussions with district lead banks and Gramin banks to determine an exhaustive list of BCNM's operational in Bihar. The focus areas which we concentrated on during these interviews/discussions were-

- i. Number and names of BCs a particular bank operates with
- ii. BC appointment related policies
- iii. Business quantum
- iv. Potential improvement areas
- v. Comparative analysis of these BCs, as per the banks' opinion
- vi. Customer feedback on BCs' operations, if any

In order to identify and assess successful models/institutions in Bihar in terms of their institutional strength and weaknesses to achieve scale and sustainability, *MicroSave* developed an approach wherein business correspondents responded to 12 questions (administered to them in the form of a structured questionnaire). These questions focused on various aspects which were assigned weights based on *MicroSave's* field expertise. This exercise helped us in identifying and documenting critical factors.

These 12 questions helped us understand the following aspects about the Business Correspondents –

- i. Active customer base of BCs
- ii. Business viability (BCs and CSPs)
- iii. Service offerings
- iv. Active CSPs and their attrition rate
- v. Awards and recognition received
- vi. Number of banking partners
- vii. BCs profitability status

This methodology in conjunction with qualitative data available helped us identify top eleven business correspondents which we further focussed on for this research.

STEP 2- IDENTIFYING THE TOP FOUR INSTITUTIONAL MODELS

In order to identify top 4 BCNMs out of the eleven identified in Step 1, *MicroSave* took a two-part approach wherein we focused on both the qualitative and quantitative aspects of BCNMs identified in the previous step. We conducted interviews with senior management of the BCNMs, usually from operations teams, to gather detailed information on the aspects mentioned below:

I. Qualitative Analysis-

This approach helped us gain an in-depth understanding of the operational model of different BCNMs. By questioning BCNMs on different aspects of their operations, we were able to clearly differentiate between various business correspondent practices, and in turn, identify critical success factors, if any. Attributes that were considered include –

- i. Agent mobility⁵
- ii. Agent commission
- iii. Agent selection process
- iv. Agent on-boarding
- v. Agent domicile
- vi. Scope of services
- vii. Interaction with device⁶
- viii. Mode of transaction⁷
- ix. Hardware support
- x. Authentication mechanism employed⁸
- xi. Liquidity management
- xii. Relationship with the bank
- xiii. Product offering

II. Quantitative Analysis-

The qualitative inquiry was followed by a quantitative analysis which helped us compare and rank various BCNMs studied. Here *MicroSave* focussed on following aspects -

- i. Agent on-boarding
- ii. Agent commission/payoff
- iii. Agent training
- iv. Agent monitoring and supervision
- v. Liquidity management
- vi. Marketing and communication
- vii. Product offerings
- viii. Business viability

The inputs from Qualitative and Quantitative analysis helped us identify four successful models/institutions in Bihar. This laid the foundation for the remaining phases of the study.

⁵BCs may be stationary as in a kiosk based model or may be mobile (travelling to client locations to conduct transactions) using POS machines and/or mobile technology

⁶Indicates the mode in which the customer would interact with the device, and this may be smart card based or card less

⁷The individual transactions done by the CSP may be online and real time or offline

⁸Which may be biometric or pin based

During the course of our secondary research, *MicroSave* also developed an analytical framework based on pre-identified parameters for conducting in-depth institutional assessment of the top four models in Bihar.

PHASE2: BIHAR FIELD RESEARCH

Phase 2 of the project focussed on the institutional assessment of the BCNMs identified in Phase 1, data consolidation and agent/CSP identification for the drill down case studies. During this phase, *MicroSave* conducted primary research of the BCNMs by interviewing/interacting with stakeholders such as Senior Management, Agents, Banking partners, and Customers.

i. BCNM Institutional Assessment

MicroSave carried out institutional assessments of the top 4 business correspondents. *MicroSave* followed the following process to carry out the institutional assessments.

MicroSave formally approached the BC and conducted structured interviews with the senior management as well the operations/field staff of the BC. *MicroSave* also took necessary steps to include bank officials in the interview process.

MicroSave built on its Agent Network Manager (ANM) Rapid Institutional Assessment (RIA) Toolkit which is designed to undertake a rapid assessment of the overall health of a BCNM organisation. This toolkit helped in conducting a rapid diagnostic of existing BCNM organisations and their operations. On the basis of this rapid assessment, we identified the strengths and weaknesses of the BCNM. The assessments were conducted over a period of five days, subject to cooperation and support from the ANM/BCNM organisation.

The following areas of organisational assessment were covered in this analysis:

- i. Organisational Overview
- ii. Governance and Management
- iii. Processes
- iv. Products
- v. Technology
- vi. Risk management
- vii. Agent Network
- viii. Marketing
- ix. External Environment and Competition
- x. SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis

In addition to the interviews, *MicroSave* also collected details pertaining to outreach, customer uptake, transaction details, number of services provided, technology used, gender disaggregated data on CSPs, dormancy details, client protection practices in use etc. from the BCNMs' head office. This helped obtain a holistic picture of the status of operations.

The outcome of this phase were detailed institutional assessment report, one for each institution. The reports focussed on the current capacity of the organisation in terms of number of CSPs, number of clients serviced, transaction volume, number of services provided, technology used, and a SWOT

analysis of the BCNM's operations. Gender disaggregated data on CSPs, clients, and assessment of client protection practices were also included in the report. Further, the report clearly outlined operational risks and challenges for the institutions.

ii. Agent Identification and Drill Down for Case Studies

To identify successful CSPs based on their viability and sustainability, *MicroSave* triangulated qualitative data collected from primary research and CSP remuneration for past 18 months.

For each successful CSP, *MicroSave* prepared a detailed case study which provides information on aspects mentioned below.

- i. Detailed account of CSP's day to day functioning
- ii. Innovative ways of increasing footfalls
- iii. Gender disaggregated data of customers
- iv. Average transaction per account handled
- v. Assessment of client protection - of customers as well as the CSP
- vi. Typical monthly transaction volumes, highlighting seasonal variations, if any
- vii. Strategies for mitigating operational risk
- viii. Summarised financial statements for a month

This phase helped us to recognise critical success factors for each of these CSPs.

PHASE 3: DOCUMENTING AND FORMULATING RECOMMENDATIONS

During this stage, we triangulated the findings from the desk research, quantitative, and qualitative research to arrive at a consolidated picture. Based on the findings of the study, we framed recommendations to improve effectiveness of the BC channel in Bihar.

PHASE 4: ROUND TABLE DISCUSSION/CONFERENCES AND DISSEMINATION

MicroSave assisted in organising two round table discussions/conferences with participation from members from PSIG, key personnel from SIDBI, government officials and policy makers, bankers, and members from the business correspondent fraternity. The round table conferences were used to present the initial findings and recommendations put together in the previous phase and to receive feedback.

SECTION 2: STATUS OF BANKING AND BCs IN BIHAR

Given its large unbanked population, Bihar has tremendous potential for growth and development of financial inclusion initiatives. However, there is a need for partnership, innovative strategies, and dedicated approach to harness this potential. Though various flagship programmes and key projects have been supporting wide ranging developmental interventions in the state, Bihar's exposure to banking services so far has been limited.

Access to financial services in Bihar is considered to be lowest in the country. The following table highlights the disparity between the state and the rest of India when it comes to the banking sector:

Table 1: Banking Profile of Bihar and India⁹

Banking Profile	Bihar	India
Total number of bank branches(including RRBs and co-operative banks)	4,860	1,02,343
Population per branch	18,395	12,100
Credit deposit ratio 2011-12	29.12%	78.09%
Per capita bank deposit(2012)(INR)	12,193	45,505
Per capita credit (2012)(INR)	3,537	34,187

2.1 ESTIMATES OF EXCLUDED AND THE COVERAGE OVER THE LAST FIVE YEARS

Financial Inclusion received the much needed push in Bihar after the RBI 2010 guideline mandating FI as a focus area for banks. Based on the 2001 population census data, 9,206¹⁰ financially excluded vilages with population of more than 2,000 were identified. State Level Bankers Committee (SLBC) in consultation with all the banks operational in Bihar allocated these vilages to different banks keeping the RBI guidelines regarding financial inclusion in mind. Different banks were given targets to set up business correspondent operation in their respective allocated vilages. By March 2012, Banks were able to cover all these vilages.

Even before census 2011 data was out, RBI mandated banks to cover these vilages with population between 1,600 to 2,000; 3,052¹¹ vilages were allocated at this stage to various banks for financial inclusion. Banks have successfully covered 2,732¹² of these vilages by March 2014.

⁹Source: Govt. of Bihar: Finance department Economic Survey Report 2012-13 and State Focus Paper, NABARD, 2011-12

¹⁰Information verbally disclosed during discussions with State Level Bankers Committee (SLBC) Bihar

¹¹Information verbally disclosed during discussions with State Level Bankers Committee (SLBC) Bihar

¹²Information verbally disclosed during discussions with State Level Bankers Committee (SLBC) Bihar

Table 2: Status of FI in Bihar¹³

Population range	Number of villages allocated	Number of villages covered
2,000+	9,206	9,206 villages covered by March 2012
1,600 to 2,000	3,052	2,732 villages covered by March 2014
<1,600	24,291	To be covered by March 2015

By March 2012, RBI mandated banks to cover all villages, including villages with less than 2,000 population base. 27,343¹⁴ villages were identified during this phase and banks have been provided with a target date of March, 2015 to cover these villages.

As per the stakeholders consulted, most of the work in this space in Bihar has materialised over last five years.

2.2 INSTITUTIONAL EFFORTS IN ACHIEVING INCLUSION THROUGH THE BANKING CHANNEL

As of January 2013, SLBC Bihar constituted of 40 banks representing nationalised, regional and private banks. SBI is the convenor bank of SLBC in Bihar and has been instrumental in propogating the agenda of financial inclusion in the state.

The state is presently served by 33 commercial banks, 3 Regional Rural Banks (RRBs), a State Cooperative Bank, and 22 District Central Cooperative banks. The Multi-State Cooperative Land Development Bank (earlier known as the Bihar State Land development Bank), operating in Bihar and Jharkhand, has 151 branches, out of which 124 are in Bihar.

A wide network had already been created in Bihar by the e-governance scheme of the Government of India. A total of 8,436 Common Service Centres (CSCs), which are locally known as 'Vasudha Kendras', are in the process of being set up under the National e-governance Plan and this network could be leveraged to broaden the access to financial services

Table 3 highlights the number of CSPs operational with various banks in Bihar.

There is an urgent need to expand the base of financial services, with a particular focus on the rural economy and small and medium entrepreneurs. Expanded financial services must be cost effective and their delivery should be of high quality. These two aspects of the delivery channel have turned out to be major issues of contention for BCNMs as well.

Table 3: Number of CSPs per Bank in Bihar

NAME OF BANK	Number of CSPs
Uttar Bihar Gramin Bank	2546
State Bank of India	1557
Punjab National Bank	932
Central Bank of India	875
Madhya Bihar Gramin Bank	874
Bank of India	368
Bihar KshetriyaGramin Bank	356
Allahabad Bank	315
UCO Bank	268
SKGB	226
Bank of Baroda	204
Union Bank of India	167
Canara Bank	141
United Bank of India	69
Indian Bank	36
Syndicate Bank	20
Oriental Bank of Commerce	9
Indian Overseas Bank	3
Grand Total	8,966

¹³Information verbally disclosed during discussions with State Level Bankers Committee (SLBC) Bihar

¹⁴Information verbally disclosed during discussions with State Level Bankers Committee (SLBC) Bihar

2.3 NUMBER, VARIETY AND EFFICACY OF DIFFERENT BC ENTITIES IN THE STATE

Based on the information available at SLBC Bihar website, there are around 18 banks and more than 30 Institutional BCNMs pursuing financial inclusion in Bihar. Below is a snapshot of various banks and their corresponding BCNM partners.

Table4: Banks and associated BCNMs in Bihar¹⁵

BANK	PARTNER BUSINESS CORRESPONDENTS
STATE BANK OF INDIA	EKO ASPIRE FOUNDATION
	ZMF
	SAVE
	SIGN
	SANJIVINI VIKAS FOUNDATION BIHAR
	SARK (GOVT.SCA)
	OXIGEN
	INDEPAY
ALLAHABAD BANK	INTEGRA
	ORION PRO SOLUTIONS LTD.
BANK OF BARODA	M/s SPARROW SOFTECH PVT. LTD
	M/S ALFA DATA TECH. PVT.LTD.
BANK OF INDIA	SAVE
	SHREI-SHAJ
	BASIX-SUBK+
CANARA BANK	M/s INTEGRA PVT.LTD.
	M/s BARTRONICS PVT.LTD.
CENTRAL BANK OF INDIA	M/s SARVALABH GLOBAL FOUNDATION (GLODYN TECH SERVE-TECHNICAL SERVICE PROVIDER)
INDIAN BANK	Alok Kumar (TCS)
INDIAN OVERSEAS BANK	Individual BC
ORIENTAL BANK OF COMMERCE	M/s FinoSintexPvt.Ltd.
PUNJAB NATIONAL BANK	SANJIVINI VIKAS FOUNDATION BIHAR
	GTIDS(GRAM TARANG INCLUSIVE DEVELOPMENT SERVICES)
	BARTRONICS
SYNDICATE BANK	M/s Indian Grameen Services
UCO BANK	C. DOT
	(HCL LTD:TECHNICAL SERVICE PROVIDER)
UNITED BANK OF INDIA	M/S BREDS

¹⁵Information presented as per data available on SLBC Bihar website

UNION BANK OF INDIA	KORMONDAL
	FINO
BIHAR KSHETRIYA GRAMIN BANK	M/S INTEGRA
	AURION PRO
	BATRONICS INDIAL LTD
MADHYA BIHAR GRAMIN BANK	ALPHA DATATECH PVT.LTD
	BIHAR BUSINESS DIRECTORY
	VIJETA SEVA SANSATHAN
SAMASTIPUR KSHETRIYA GRAMIN BANK	SANJIVINI VIKAS FOUNDATION BIHAR
	SIGN
	INDIPEY
UTTAR BIHAR GRAMIN BNAK	GLODYN TECH SERVE
	HCL INFOSYSTEM PVT.LTD

MicroSave conducted detailed interviews with different stakeholder to assess the status of the sector in Bihar and the credibility of above mentioned BCNMs. We interviewed representatives from RBI, NABARD, SLBC, lead banks and prominent RRBs to develop a holistic understanding of the various Business Correspondents (BCs) successfully operating in Bihar.

SECTION 3: INSTITUTIONAL PROFILES OF 4 BC ENTITIES ASSESSED AND SWOT ANALYSIS¹⁶

3.1 SANJIVANI VIKAS FOUNDATION

Sanjivani Vikas Foundation started its business correspondent (BC) operations in 2010 and its operations are currently concentrated in Bihar. SVF has collaborated with four banks in Bihar, namely State Bank of India (SBI), Punjab National Bank (PNB), Bihar Grameen Bank, and Madhya Bihar Grameen bank. In Bihar, SVF is catering to nearly 6,00,000 financially excluded people from 26 districts through a network of around 1,200 Customer Service Points (CSPs).

SVF uses the kiosk based model to deliver financial services for all the partner banks. Despite the fact that the Kiosk model limits agent's ability to travel till customer door-step, other prominent advantages such as trust among customers and system capacity overshadow other disadvantages of the model.

In addition to the administrative team at Patna, 20 district coordinators (DC) who are responsible for agent network management in 26 districts of Bihar drive the organisation's operations. Customer Service Point (CSP) is the last working unit for SVF and is the touch point for customer interactions.

Table 5: Outreach of SVF in Bihar

Parameters	SVF
National outreach	Bihar
Bihar outreach	22 districts out of 38
Partner banks in Bihar	State Bank of India, Punjab National Bank, Madhya Bihar Gramin Bank, and Bihar Gramin Bank
Technology used	Kiosk Based (online mode)
Number of CSP's in Bihar	1200
Total accounts opened in Bihar	6,00,000
Percentage of active accounts	90%
Average number of transactions per day	5000
Operation in Bihar since	4 years
Name of services provided	Business Correspondent + Business Facilitator (limited)
CSP gender disaggregation (% of females)	3%
Number of staff per CSP*	2
Agent's average monthly profitability	10,000 per month
Average Fixed investment per CSP (CAPEX)	INR 1 to 1.5 lakh
Average On-going monthly expenses (OPEX)	INR 10,000 to 15,000
Average number of clients per agent	500

¹⁶The numbers presented are latest figures as shared by BCNMs during March-2014

Monitoring of the CSPs and agents takes place at two levels i.e., at the Business Correspondent Network Manager (BCNM) level and at the bank level. In SVF, the DC is directly responsible for monitoring of agents. In case of non-adherence to policies laid by banks for CSPs, the Financial Inclusion in-Charge (FIC) officer informs SVF to take appropriate actions against the agent.

As per the bank-BC agreement, SVF is responsible for managing liquidity at an organisational level and at the CSP level. The bank has issued a settlement account to SVF to which individual accounts of CSPs are mapped. The reconciliations happen at the day end and the CSP accounts are credited by SVF on the next day. Some of the CSPs have complained about a delay in reconciliation.

CSPs receive 60% -70% of the total commission earned by SVF. While SVF reserves rights on 30% of total commission, the remaining 10% of commission is distributed between the District Co-ordinator (DC) and the Block Co-ordinator (BC). During interviews, agents supported the commission structure.

Some of the SVF CSPs have received formal training from the Indian Institute of Banking and Finance. There was no formal guideline provided to the CSP either by the bank or SVF, which documents the protocol of interaction between the CSP and the customers. However, no incident of complaint against any CSP was received during customer interviews.

One of the major operational risks faced by SVF is the absence of cash in transit and cash at point insurance for the CSP. The high number of withdrawal transactions (around 70-200 daily) at CSP locations makes liquidity management another major challenge for agents. Since SVF is growing fast, a shortage of manpower within the organisation is a major challenge in managing the growing network of CSP operations. SVF is planning to recruit more employees under the DC to manage field operations. At the CSP level, support from link branch is another operational challenge. Delays in account uploading by 25-45 days and liquidity crunch also hamper the CSP business significantly.

CRITICAL SUCCESS FACTORS

Strong professional ties with SBI: This relationship dates back to 2006. SVF harboured this relationship well and has become one of SBI's leading Business Correspondent (BC) partners in Bihar.

A strong team of educated, reputed and financially stable agents who run the CSPs: The kiosk model has turned out to be advantageous in building trust among customers and enhancing efficiency in service delivery

Transparency at all levels of its operations: **To maintain transparency, SVF communicates the details** of monthly commission earned by each CSP as per the commission structure provided by the banks.

SWOT ANALYSIS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> i. Experience of the senior management - Prior to starting SVF, the senior management team was involved in providing other financial services for SBI. This helped them to understand this model easily. ii. Re-investment of earnings into BC business - In last two years SVF has achieved growth by efficiently re-investing their earnings into the BC business. This reflects that the organisation has grown independent of the donation and grants. iii. Optimisation of commission structures - senior management consciously puts efforts to optimise its commission to fuel the future growth of organisation. For example, the senior management is currently pursuing a strategy to reactivate their non-functional CSPs and motivate functional CSPs to earn higher commissions. 	<ul style="list-style-type: none"> i. Lack of staff- SVF faces lack of human resources in field as field staff is handling both operations and monitoring. Lack of sufficient manpower can cause hurdles in growth in upcoming financial years. ii. Lacks of documented policies- In SVF, employees follow by-laws of BC model laid down by RBI and banks. However, SVF itself does not have documented policies and guidelines. It decreases the accountability of employees in organisation, as they are not abiding by laws and policies of organisation. iii. Limited ability to replace inactive agents - Currently SVF has little say in the replacement process of non-functional CSPs. SVF can only recommend its partner banks about dormancy of inactive CSP. The final decision to replace the CSP lies with the bank. The senior management considers it as a weakness as currently 7% of its agents are inactive and are not contributing to organisation growth. iv. Disparities between commissions of individual agents - There is a huge gap between commission of least performing (INR 2,000/ month) and best performing (INR 75,000/ month).SVF faces challenges to optimise the level of business for each CSP agent associated with organisation.

OPPORTUNITIES

- i. Enrolment as a corporate BC with PNB - SVF has received the status of a Corporate BC of PNB which means now they can expand their BC operations for PNB across the country. However, PNB has recently mandated that its BC operations shift from the POS model to the kiosk model. As a result, SVF is waiting for PNB's technical challenges to be resolved completely. Senior management feels that this will be a golden opportunity to expand the reach of their services and drive business, since they feel that they can replicate the same strategy which they have successfully adopted with SBI.
- ii. Expansion beyond Bihar with SBI - With the excellence that SVF has achieved in Bihar, they have started preparing to apply for appointment as a national BC of SBI after which they will become eligible to operate in other states of India. The vision behind this step is to leverage the expertise that SVF has developed in Bihar state by expanding across India.
- iii. Cash@POS - SVF considers the Cash@ POS, a new withdrawal system launched by SBI as an opportunity to deliver better services to its customers. Since the CSPs encourage customers to apply for a financial inclusion debit card, it is felt that this facility will ease the pressure off agents since withdrawals from the POS device will take minimal time.

THREATS

- i. Lack of cash-in transit insurance - Cash in transit insurance is still a major threat to SVF and agents as well. Being a small organisation SVF can neither afford the premium amount of insurance nor can they transfer the burden on agents as all agents are not earning equally. Agents understand the value of cash in transit insurance and it can cause high level of demotivation among agents, as there is no initiative from bank or RBI on this issue.
- ii. Infrastructure constraints - The erratic power supply, poor internet and mobile network connectivity is a major threat for SVF. Agents incur huge costs on installing and operating generators and multiple sources for internet connectivity such as VSAT, Wimax, Data cards and multiple SIM cards.

3.2 SOCIETY FOR ADVANCEMENT OF VILLAGE ECONOMY (SAVE)

SAVE started its BC operations in Bihar with SBI and in 2013 expanded its area of operations to include eleven other states, viz., Andhra Pradesh, Uttar Pradesh, Assam, Sikkim, Madhya Pradesh, Maharashtra, Gujarat, Arunachal Pradesh, Chhattisgarh, Jharkhand, and West Bengal. As a BC, it offers Basic Savings Bank Deposit (BSBD) accounts to customers through its CSPs where they can open accounts, withdraw or deposit cash, and send remittances. It also offers other financial services to customers such as the facility to create and operate recurring deposits, fixed deposits, life insurance, and overdraft facilities. It is worth noting that SAVE is a corporate agent for SBI's life insurance business and sells these insurance products through its CSPs. SAVE also works with the Bank of India (BOI) and has some CSPs dedicated to BOI's financial inclusion work.

SAVE operates on a kiosk based model for both its banking partners SBI and BOI. To operate, the CSP requires certain hardware and the CSP-in-charge can log-in directly to the "Core Banking" of SBI using his/her credentials and can carry out customer transactions with biometric authentication. A very simple one page form is used to open the customer's bank account and the customer's finger prints are then registered for identification, authentication and authorisation of banking transactions. SAVE, after four years of operation, has increased its reach to almost all parts of Bihar.

Table 6: Outreach of SAVE in Bihar

Parameters	SAVE
National outreach	12 states across India
Bihar outreach	33 districts out of 38
Partner banks in Bihar	State Bank of India, Bank of India
Technology used	Kiosk based (online mode)
Number of CSP's in Bihar	1685
Total accounts opened in Bihar	11,00,000
Percentage of active accounts	73%
Average number of transactions per day	72,000
Operation in Bihar since	4 years
Name of services provided	Business Correspondent + Business Facilitator (focus on Life Insurance, RD and FD)
CSP gender disaggregation (% of females)	25%
Number of staff per CSP*	2
Agent's average monthly profitability	12,000 per month
Average Fixed investment per CSP (CAPEX)	INR 1 to 1.5 lakh
Average On-going monthly expenses (OPEX)	INR 10,000 to 15,000
Average number of clients per agent	653

While trying to fulfil its financial inclusion agenda and as described by its senior management, "providing a form of social service to clients", the majority of whom have been unbanked thus far, the organisation manages all operations from its headquarters in Gaya and has no regional offices. All operational details and logistical support is handled by a team at the head office.

On the field, a team of District Co-ordinators (DCs) manage all the CSPs spread across the state and the DC is responsible for identifying new regions for expansion, liaising with link branches, handling complaints and issues of CSPs, identifying new agents and most importantly, monitoring and supervising CSP activity.

CRITICAL SUCCESS FACTORS

The organisation's success has elicited considerable interest from several financial sector stakeholders in the state. The critical success factors that have been identified are as follows:

Stringent CSP selection measures: SAVE's criteria for agent selection and its stringent due diligence procedures ensures that any agents who join the organisation are not only willing to work but are also capable of driving business.

Direct involvement of senior management in field operations: The senior management are directly involved in the day to day operations of the organisation, though this may not be feasible as the organisation rapidly grows, it has certainly helped achieve the volumes that SAVE's CSPs are transacting at.

Close monitoring and administrative control: The senior management monitors the performance of each and every DC and also of every CSP. The management is easily accessible to all field staff and this leads to the speedy resolution of problems which might have otherwise impacted an individual CSPs business.

Access to alternate sources of funds for working capital requirements: The partners are able to invest money from their other business ventures as working capital in times of reduced cash flow.

Single CSP outlets servicing multiple locations: The CSPs are set up in locations which are a focal point for the financial service requirements of the neighbouring areas. In this way, two or more codes are mapped to a single CSP which ensures footfall and also increases the viability of the CSP because of increased customer transactions.

SWOT ANALYSIS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> i. Involvement of senior management - The senior management plays a pro-active role in operations and is in tune with day to day activities and ground realities. This allows a tight span of control and improved monitoring of CSP activity at a granular level. ii. Relationship with the bank - The organisation has a long standing relationship with the bank which helps in gaining access to higher levels of management. This relationship also opens up different forums for resolution of complaints and issues iii. Geographical outreach - The organisation's geographical reach across the state is un-paralleled among other BCNMs operating in the region and allows it to build a larger customer base. iv. Ability to manage working capital requirements - The management of the organisation has the ability to pump in working capital from its other business ventures. This becomes essential when commissions are delayed from the bank. v. CSP selection methodology - SAVE has very stringent CSP selection measures which lead to the appointment of agents who are able to perform well, leading to greater business volumes. vi. CSP locations which cater to multiple villages - The organisation's CSP locations are located to cover multiple villages from a single common focal point. This ensures that the CSPs have higher footfall and increased transactions. 	<ul style="list-style-type: none"> i. Lack of adequate HR policies - There is lack of formal policies on staff recruitment and management within the organisation. Also, the absence of a dedicated HR department leads to senior management wasting time on petty issues. ii. Centralised management structure - The organisation operates on the basis of a centralised system of management where all decisions are taken and implemented by the senior management. iii. Limited product basket - There is a limited product offering available at the CSPs and also, there is a lack of support from bank branches, both of which affect business adversely iv. Dependence on a single bank - SAVE works exclusively with SBI and this leads to a dependency on one major client for revenue and business activity. v. Security concerns - The organisation has inadequate levels of security to CSPs for moving cash. The absence of cash-in-transit insurance also is a potential risk that may have a negative bearing on business. vi. Limited visibility - The organisation has inadequate means (in terms of staff with presentation skills) to present their work in public forums and gain access to donor backed funds and projects.

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> i. Potential to offer more products - There is a great potential to offer more financial products as the organisation's infrastructure and back end support is already in place. ii. EBT payments - There is a further scope of increasing EBT payments since SAVE's customer base has already been established. iii. Potential to partner with more banks - With its successful track record with SBI, SAVE may consider building partnerships with other banks at similar volume rates. 	<ul style="list-style-type: none"> i. Customer dissatisfaction - The organisation may face dissatisfaction of customers due to delays in account opening and in transactions. ii. Limited middle management capabilities - Due to the close personal relationship between field staff and senior management, it becomes difficult to enforce certain new operational and management changes. There is a need for the introduction of an empowered middle management layer. iii. Limited CSP clarity on commission structures - SAVE's CSPs do not have enough clarity on the amount of commission paid to them and many have requested that a statement of transactions be provided to them directly from the bank. iv. Competition - SAVE faces competition from newer entrants as well as national players in the BC space. Though it has plans for significant expansion, it may need to speed up its growth plans.

3.3 FINO PAYTECH LTD.

FINO started its BC operations in 2006 just when RBI permitted banks to appoint business correspondents at unbanked areas. Currently it operates in 28 states across India and in 33 districts in Bihar. As a BC, it offers Basic Savings Bank Deposit (BSBD) accounts to customers through its CSPs where they can open accounts, withdraw or deposit cash, avail micro insurance and send remittances. FINO operates on a PoS based model both online and offline with all its banking partners. To operate, the CSP requires certain hardware i.e. biometric smart card and hand-held device. CSP-in-charge can insert his smart card and after biometric authentication can facilitate customer transactions. A very simple one page form is used to open the customer's bank account and the customer's finger prints are then registered for identification, authentication and authorisation of banking transactions.

Figure 2: FINO customer growth pan India since 2007

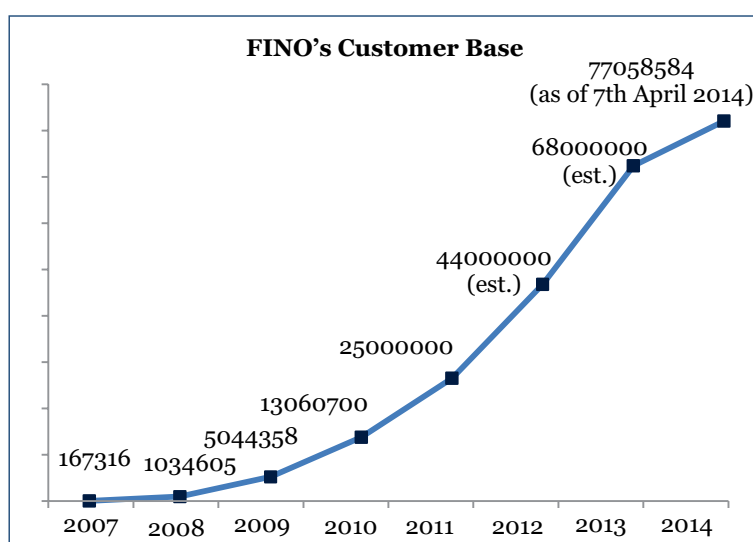


Table 7: Outreach of FINO in Bihar

Parameters	FINO
National outreach	28 states across India
Bihar outreach	34 districts out of 38
Partner banks in Bihar	Axis Bank, ICICI Bank, Canara Bank, Oriental Bank of India, Syndicate Bank, and Union Bank of India
Technology used	POS based (online and offline mode)
Number of CSP's in Bihar	900
Total accounts opened in Bihar	9,00,000
Percentage of active accounts	34%
Average number of transactions per day	4500
Operation in Bihar since	3.5 years
Name of services provided	BSBD, Deposit/Withdrawal, Micro Insurance, OD, Remittance and loan

CSP gender disaggregation (% of females)	NA
Number of staff per CSP	1
Agent's average monthly profitability	INR 2,000 to 3,000
Average Fixed investment per CSP (CAPEX)	7500
Average On-going monthly expenses (OPEX)	1000
Average number of clients per agent	1000

The organisation has its head office in Mumbai. Operations are divided in four zones with zonal head offices in Delhi, Mumbai, Hyderabad, and Bhubaneshwar. These Zonal offices are responsible for executing and monitoring of all projects and financial inclusion work in their respective zones which are further supported by state level, district level, and block level offices. On the field, a team of District Co-ordinators (DCs) and Block Co-ordinators (BC) manage all the CSPs monitoring, acquisition, and liquidity management.

CRITICAL SUCCESS FACTORS

The organisation's success has elicited considerable interest from several financial sector stakeholders. The critical success factors that have been identified are as follows:

Clear and well defined approach: From the very beginning, FINO has focussed on the profitability and sustainability of its operations and is continuously seeking new business opportunities.

Diversified product portfolio: FINO has focussed on the following basic offerings: enrolment of new customers for BSBD, withdrawal, deposits, Electronic Benefit Transfer (EBT), government payments, remittances, and insurance.

Low-cost cutting edge technology: FINO originally started as a technology focussed company providing a low cost technology driven solution for rural financial inclusion.

Strong ground presence: FINO's core strength is its on-field presence in 28 states in India and its ability to efficiently and quickly execute projects.

Funding mix: Initially, FINO financed its operations through debt based financing rather than equity based financing. Even though their debt to equity ratio has witnessed large variations, they have managed to keep it above one over the last few years.

SWOT ANALYSIS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> i. Business volumes - FINO's biggest strength is the volumes it has attained for sustainability of operations. This acts as a major reason for banks to liaise with FINO as national business correspondent and not just regional. ii. Bank friendly business model - As a business incubated by ICICI bank it has a bank friendly business model which is open to private sector collaboration. Where FINO is the partner, the bank has to interact with only one stakeholder who acts as both TSP and BCNM. Also the technology liaises well with banks' technology infrastructure. iii. Varied investor base - FINO has an investor base constituting major players from public sector units such as Life Insurance Corporation (LIC) and Corporation Bank and private equity players such as Black Stone amongst others. iv. In-house technology team - It has an in-house technology team that develops cutting edge technology constantly innovating and upgrading their technical services to stay abreast of its competitors in this sector. v. Diversified product offering - Its diversified service offerings such as technological solutions, business correspondent channels, and projects on financial literacy, which are implemented through its innovative and cost effective technological product offerings, aptly fill the gap that banks face in providing financial services in rural areas. vi. Monitoring and evaluation - Periodic monitoring and evaluation of agent performance, which has resulted in the enhancement of the quality of its agent base. 	<ul style="list-style-type: none"> i. Compensation of agents - A key weakness that <i>MicroSave</i> observed in FINO was its relationship management with regards to its agents and their compensation structure. On an average the compensation earned by the CSP agent is significantly lower than other BCNM agents in Bihar. ii. Technology issues - The organisation's services have been also facing technological issues with cases where the customer's balance gets updated almost after a week. This in turn hampers the online operational model propagated by RBI. iii. Operational issues - Operational issues like the turn-around time associated in smart card delivery to clients were as high as a year whereas FINO is contractually obligated to deliver smart cards within 45 days of enrolment. iv. Unsuitable business hours - Most of FINO's customers preferred transacting during evening and early morning hours but PoS machines for some banks operate only during branch opening hours which limited the number of transaction of an agent.

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> i. Increased focus on financial literacy - With increasing focus from organisations like World Bank and NABARD on spreading financial literacy there is a huge opportunity for FINO to expand further. ii. Shift of focus from account opening to transactions - The banks shifting their focus on transactions from just account opening, there is immense opportunity for FINO and its agents to grow their transaction base and in turn enhance account usability for rural customers. 	<ul style="list-style-type: none"> i. Technology challenges - A major threat that <i>MicroSave</i> foresees is of technological hindrance. FINO agents currently operates on both online and offline mode of operation with a gradual shift to online mode. Field visits highlight that this shift has reduced number of transactions in certain areas from 1,500 transaction per month to a meagre 8,00 in online mode due to lack of network infrastructure. ii. Limited support from rural branches - Limited support from bank's rural branches also limits an agent's operability. iii. Infrastructural issues - Infrastructure in Bihar like lack of road, electricity etc. are a common threat to any BCNM's growth in Bihar.

3.4 CENTER FOR DEVELOPMENT ORIENTATION AND TRAINING

CDOT's Financial Inclusion (FI) initiative started in December 2011 with the inception of the Swabhimaan¹⁷ initiative by the Government of India. CDOT has partnered with three different Technical Service Providers (TSP) - Genpact, HCL, and TCS. With these partners, the organisation works with four nationalised banks - Punjab National Bank, Allahabad Bank, United Bank of India, UCO Bank; and two Regional Rural Banks- Pashchim Bengal KshetriyaGramin Bank, and Bihar KshetriyaGraminBank. CDOT is involved in financial inclusion activities in 14 states of India, viz. Haryana, Delhi, Bihar, Uttar Pradesh, Madhya Pradesh, Gujarat, Maharashtra, Chhattisgarh, Jharkhand, West Bengal, Sikkim, Assam, Nagaland, and Manipur.

Table 8: Outreach of CDOT in Bihar

Parameters	CDOT
National outreach	14 states across India
Bihar outreach	31 districts out of 38
Partner banks in Bihar	Bank of India, Bank of Baroda, Allahabad Bank, UCO Bank
Technology used	Hybrid (Smart card with laptop and biometric reader)
Number of CSP's in Bihar	548
Total accounts opened in Bihar	3,00,000
Percentage of active accounts	Recently started transactions
Average number of transactions per day	1,000
Operation in Bihar since	3 years
Name of services provided	Business Correspondent+ Business Facilitator (focus so far has just been on account opening)
CSP gender disaggregation (% of females)	NA
Number of staff per CSP*	1
Agent's average monthly profitability	INR 200 - 300
Average Fixed investment per CSP (CAPEX)	15000
Average On-going monthly expenses (OPEX)	1000
Average number of clients per agent	547

CDOT operates under a tri-partite agreement between the bank, the TSP, and itself. All technological functions are handled by the TSP and the organisation manages only the Business Correspondent (BC) operations. CDOT operates on a smart card based model in which each Business Correspondent Agent (BCA) is provided with a laptop, a smart card reader, a biometric fingerprint reader, and a printer. This model enables the agent to decide whether he wishes to operate from a single fixed location or wishes to remain mobile, offering door step services. A majority of CDOT's BCAs are associated with Allahabad Bank with Genpact as its TSP which provides the hardware to the agent against a security amount of INR 10,000. However, certain issues are being faced in the implementation of the smart card driven model such as delays in the arrival of smart cards and loss of trust among customers. The organisation plans to shift to a card-less, kiosk based system when working with new partners.

¹⁷Swabhimaan is a campaign of the Government of India which aims to bring banking services to large rural areas without banking services in the country.

CRITICAL SUCCESS FACTORS

The critical success factors that have been identified are as follows:

Low cost operational model: CDOT has a low cost model which makes it affordable for rural agents to start operations. All hardware is provided by the TSP. The agent has to make a payment of INR 10,000 which can then be used by him as a limit.

Support and involvement of senior management: The senior management of the FI vertical is involved in the day to day operations of the BCAs and keeps a close eye on the field level work. This ensures that process hygiene is maintained and any issues that arise are mostly because of technical problems rather than human error.

Ease of use of technological platform and mobility: Genpact's technology platform has a proven record of providing BC services and it is quite easy for the BCAs to use, not requiring extensive training. The hardware is easy to carry and does not limit the mobility of the BCA. This mobility allows the agent to offer door step services to clients if required.

SWOT ANALYSIS

STRENGTHS	WEAKNESSES
<p>i. Separation of BC and MFI operations - CDOT has separated its BC operations staff from its MFI operations. A conscious management decision, this allows BC staff to remain focused on its BC operations without becoming involved in the day-to-day operations of its microfinance business.</p> <p>ii. Involvement of senior management - The senior management plays a pro-active role in operations and is in tune with day to day activities and ground realities. Field level staff members have also mentioned the easy availability of senior members of the organisation in case of any issues that need to be addressed.</p> <p>iii. Low cost for rural agents - CDOT operates on an extremely low cost model which makes it affordable for rural agents. This enables the organisation to bring on board new agents without much difficulty. The model is also replicable and allows for quick scale up especially when expanding to other areas.</p>	<p>i. Dependence on the TSP - CDOT is dependent on its TSP for all technological requirements. Since there is no in-house technical team, technical issues often go unresolved until sorted out by the TSP. This has been an issue repeatedly brought up agents on the field who were interviewed.</p> <p>ii. Limited product offering - The product offering to customers absolutely basic with account opening, withdrawals and deposits being the only services offered. Currently, the organisation does not offer any other financial services. As a result, many customers feel that the CSPs are still not a para-banking operation and this has served to dilute their confidence in the channel.</p> <p>iii. Restrictions on CSP activities - The CSPs are located in remote areas with a limited customer base. Also, CSPs of a certain village are not allowed to open accounts for residents of other villages. These restrictions make it hard for the CSP to become financially viable as the BCA is unable to acquire new customers after enrolling all eligible members of the village he services.</p> <p>iv. Delay in commencing operations - A significant delay in starting transactions has also hampered the viability of the agents. Currently, approximately 30% of its agents are transacting, the rest are still enrolling customers. Customers who have already opened accounts feel that they have been short-changed and this results in negative word-of-mouth publicity.</p> <p>v. Delay in account opening - There is also a significant delay in opening accounts and in the delivery of cards by the TSP. This delay hampers efforts by agents to mobilise customers and also erodes customer confidence in the channel. As a result, it becomes difficult to motivate new agents to stay on with the organisation</p>

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> i. Building efficiency in MFI operations - CDOT can use its agent network to make its MFI operations more efficient by using its agents in the cash management processes of the MFI operations. There can be some amount of synchronization between the two without affecting operational processes. ii. Shift in technology model- The organisation plans to shift to a card-less kiosk based model soon with other partners. This may increase business volumes and viability of its agents as has been the case of other BCNMs who have adopted the kiosk model. iii. Introduction of additional financial services - Introducing new financial services may invigorate the channel and attract more customers. Based on our discussions with several customers, there is a definite requirement of other services. 	<ul style="list-style-type: none"> i. Competition - Increased competition from other players may make it difficult for CDOT to reach the business volumes to make its BC operations sustainable. Most agents are aware of CSPs of other BCNMs within their service area and feel that the competition is already doing better business than them. ii. Support from TSP - The support provided by the TSP to the BCAs for troubleshooting of day to day technical snags is not streamlined and is subject to availability of technical staff. This may result in increased down time at the BCA's end which in turn affects the business. iii. Agent attrition - Agent attrition may soon become an issue since a majority of the agents employed by CDOT are yet to start transacting. They are not earning the commission amounts that they envisaged at the time of initiating the CSPs. iv. Transaction limits - The limit of INR 10,000 is often seen as too low by its agents as it means that the agent often has to make multiple trips to the local linked branch. This has a cost implication for the agent as his travel costs are not reimbursed and his earnings from transacting in a day do not cover the expense of multiple trips to the bank, and he would rather shut shop.

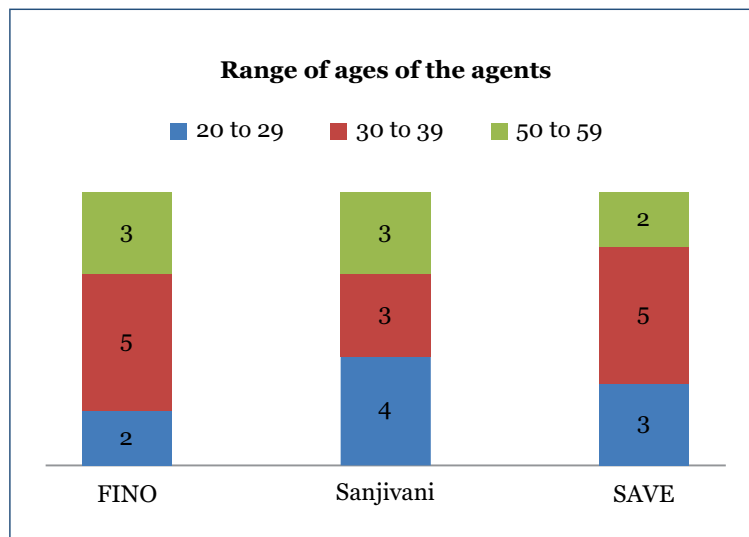
SECTION 4: SURVEY FINDINGS – ARISING FROM SURVEY OF CSP SAMPLE

As part of the CSP study, a sample size of 30 agents was decided upon, comprising the top 10 agents of the 3 BCNMs that were part of the study; FINO, Sanjivani, and SAVE.

AGENT DEMOGRAPHICS

1. AGE PROFILE

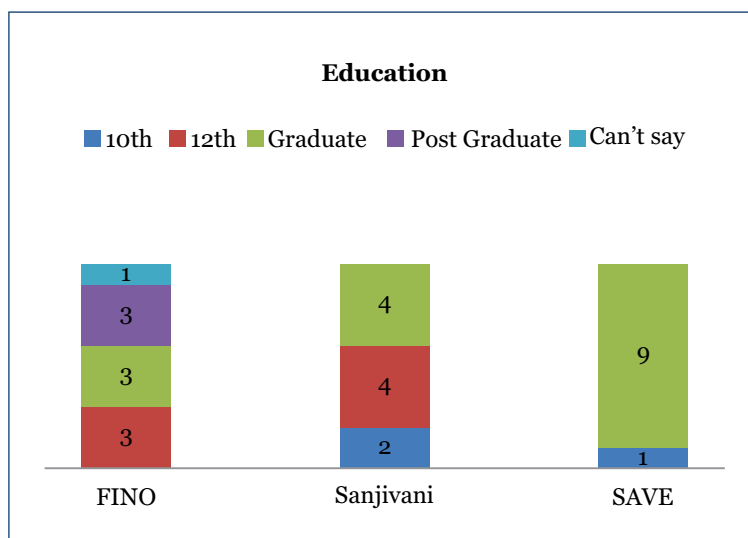
Graph 1: Age profile of top 30 CSPs



The agents recruited are mostly in their 30's and command some amount of respect in their local communities. Younger agents are seen as quicker learners and keen innovators and have come up with ways to increase their business volumes.

2. EDUCATION

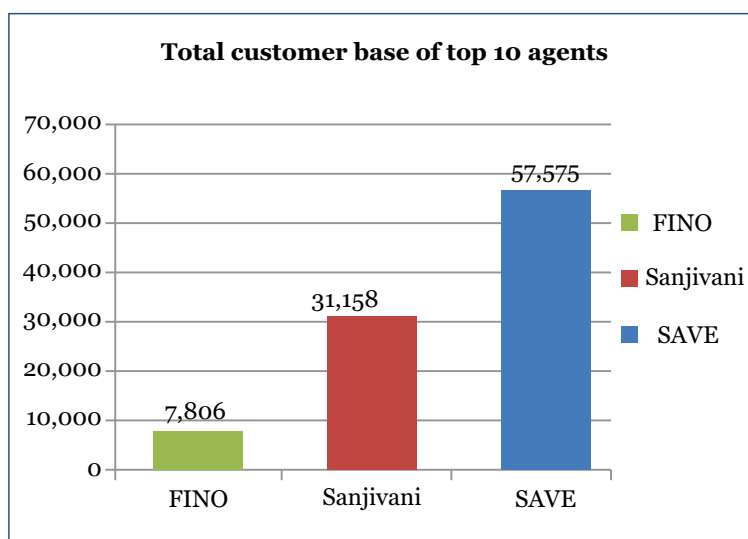
Graph 2: Level of Qualification for top 30 CSPs



The majority of the agents surveyed are graduates. This is in line with the organisation's recruitment policies of hiring well educated agents. The few agents who are educated till an intermediate level are the older agents, employed during the start of operations, a period when the agent recruitment processes were not as stringent.

3. CUSTOMER BASE

Graph 3: Total customer base of top 10 CSPs per BCNM

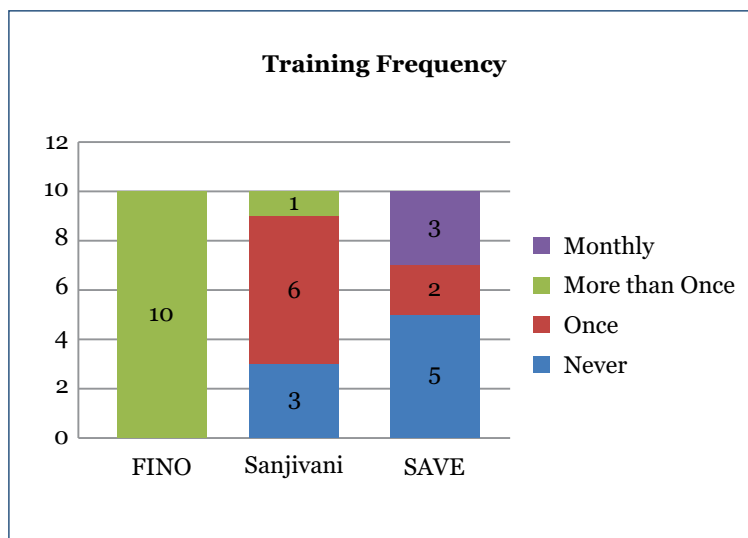


SAVE's top 10 agents have a larger customer base than the top 10 agents of the other 2 BCNMs combined. Sanjivani is a comparatively newer organisation which is quickly scaling up and is expected to match

SAVE's numbers in a few years' time. FINO has a different operating model which makes it difficult to attain a large customer base per agent.

1. TRAINING FREQUENCY

Graph 4: Training frequency for top 30 CSPs

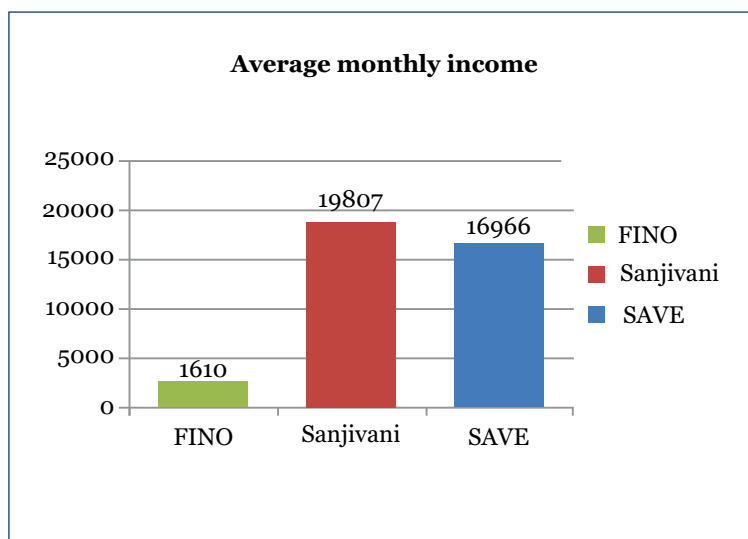


As far as training is concerned, not all of the top 10 agents of the 3 BCNMs studied have received some form of training either at their own CSP location or in a more formalised environment. It is interesting to note that 3 of SAVE's agents receive some form of training every month and at the same time 5 agents have never received any form of training. This disparity in training is mostly attributed to the pro-activeness of the local DC who is responsible for deciding the form of training required and its frequency.

BUSINESS VIABILITY

1. AVERAGE MONTHLY INCOME

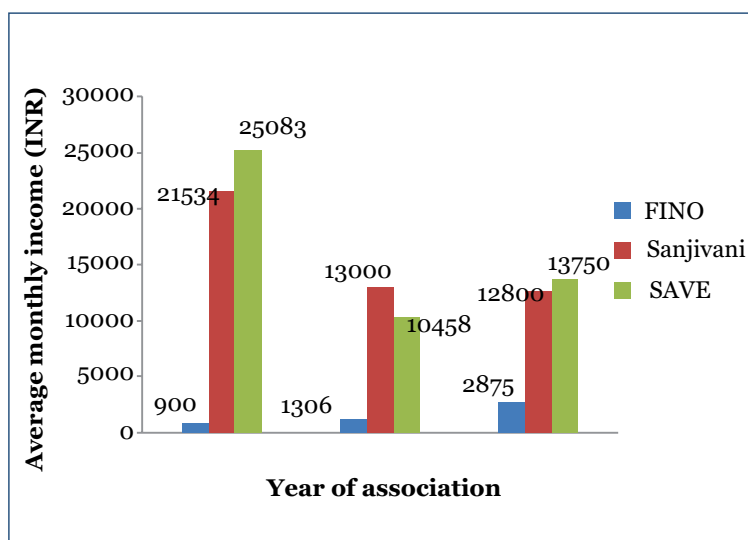
Graph 5: Average monthly income of top 30 CSPs



The average monthly income of the top 10 agents of the 3 BCNMs studied provide a clear picture of the income generating potential of the kiosk based model. Both Sanjivani and SAVE, which work on the kiosk model, have considerably higher commission pay-outs for their agents. This is mostly due to the enhanced trust that customers lay on stationary bank-like setups. Also ensuring better connectivity is easier for stationary models compared to mobile agents.

2. PERIOD OF ASSOCIATION AND AVERAGE MONTHLY INCOME

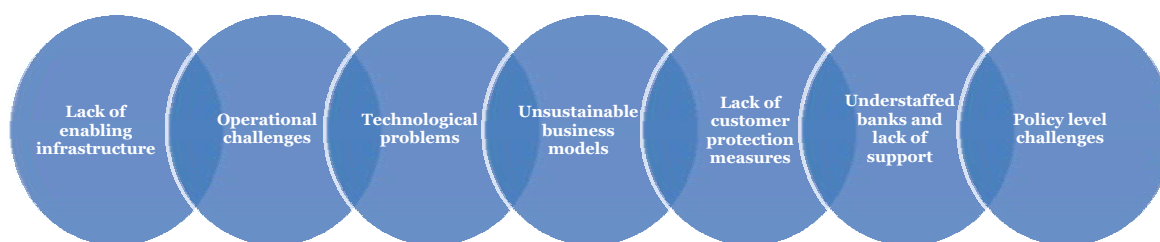
Graph 6: Average monthly income from 2011 till 2013 of top 30 CSPs



The preceding chart maps the average monthly income of the agents of the 3 BCNMs against the length of their association with their respective organisations. As expected, agents of SAVE and Sanjivani who have been associated with them for more than 3 years are earning a higher amount of commission. This is a clear indication that they have established a regular client base which transacts regularly at their CSPs. Surprisingly FINO's newer agents make more money than older agents. This is attributed to their pro-activeness in serving customers and especially providing door step services.

SECTION 5: ISSUES RELATING TO OUTREACH, VOLUMES, REVENUES, CLIENT PROTECTION, RISK MANAGEMENT AND VIABILITY OF BC MODEL FOR AGENTS AND BANKS

The key constraints as identified from different stakeholders involved in BC business are as detailed below:



5.1 LACK OF ENABLING INFRASTRUCTURE IN BIHAR

- i. *Frequent power outages:* In Bihar, especially in rural areas, frequent power outages hamper BC operations significantly since the channel is highly dependent on a stable power source. The POS machines, kiosks and mobile phones all depend on battery backup to work. Due to the lack of power in villages, these machines are rendered inoperative, and thus the agent is unable to utilise her/his complete potential in servicing customers.
- ii. *Limited GPRS connectivity:* Another infrastructural issue that impedes the BC channel significantly in Bihar is the lack of internet connectivity in rural villages. The POS machines, mobile phones and even the kiosk all need to interact with either the bank server or with the BCNM server for uploading and downloading data. Limited, and in some cases, complete absence of GPRS connectivity significantly hampers the operations. This is a challenge unanimously highlighted by all the BCNMs, bankers and regulators.
- iii. *Lack of good road connectivity within the state:* An important infrastructural issue highlighted by various stakeholders is the poor condition of the current road infrastructure in the state. This makes it very difficult for agents to reach their customer base in case of mobile agents and for customers to reach CSPs in kiosk based set ups. Also, limited road connectivity makes the monitoring of the agents, grievance handling and technical handholding very difficult as the operations and sales team of the BCNMs and banks are unable to reach the agents easily. This also has an adverse impact on customer service and trust levels.

5.2 OPERATIONAL CHALLENGES

- i. *Lack of on field support by Technology Service Providers (TSPs):* the TSP is primarily responsible for providing hardware and back end technology support to the BC channel. In some cases, the TSPs and the BCNM are subsidiaries of the same organisation and have greater working synergies. However, in other cases BCNM partners with a 3rd party TSP that is a completely different organisation. In case of 3rd party TSP, they usually do not deploy full time staff on the field for troubleshooting. Technical complaints pertaining to the POS machines are then handled by untrained BCNM sales staff that are unable to resolve the issues. In some extreme cases, the complaints are simply not handled at all and the agent is unable to transact until there is a high level intervention by the bank.
- ii. *Low literacy levels:* Majority of the targeted rural customers in Bihar are illiterate and unaware about the benefits of linkages with formal financial institutions. They are unable to understand the benefits of banking at an agent counter easily. Consequently, the agent or the BCNM staff has to put in a lot of time and effort to explain branchless banking and its benefits to customers.
- iii. *Delay in delivery of smart cards:* Another challenge that cuts across all BCNMs is the delay (of up to a year in some cases) in the printing of the smart cards which have to be provided to customers. This delay further reduces the confidence of customers and affects transaction volumes.

5.3 TECHNOLOGICAL PROBLEMS

- i. *Shift from offline to online mode:* There are limited numbers of TSPs operating in Bihar on financial inclusion space. Most of the BCNMs are still grappling with the issue of migration from the traditional offline mode of transactions to current online mode.
- ii. *Failure in fingerprint recognition:* Handheld devices or POS devices, frequently fails to recognise the fingerprints of customers. This is a commonly cited technological issue that most BCNMs in Bihar are grappling with. Although measures such as increasing the acceptance level of finger prints have been taken, further efforts are needed to ensure that these POS machines are able to read the fingerprints of customers engaged in manual labour whose fingerprints may not be easily readable.

5.4 UNSUSTAINABLE BUSINESS MODELS FOR THE AGENTS

- i. *Agent attrition rates:* Owing to the limited formal financial products that an agent can offer and also because of the commission structure that is heavily skewed towards account opening, the BC channel becomes non-viable in many cases after the initial accounts are opened. This has led to high attrition rates among agents. There are also problems of demotivation of agents in CSPs where transactional volume has not picked up.
- ii. *Delay in commission payment:* There are also issues of delays in payments to the agents and there are several instances where they are not paid on time. In some cases, agents have not received the due commission payments since one to two years.

5.5 LACK OF CUSTOMER PROTECTION AND TRANSPARENCY MEASURES

- i. *Inadequate trust on BC channel:* There is also a lack of trust in BC services due to the negative experiences that some rural customers have faced themselves or heard of, such as an agent absconding with money or significant delay in services. This affects the viability of the channel since customers are not willing to transact even after opening accounts.

5.6 UNDERSTAFFED BANKS AND LACK OF SUPPORT

- i. *Missing bank support:* Many of the stakeholders interviewed are of the view that financial inclusion is more of an obligation rather than a genuine business opportunity. The agents appointed by BCNMs have to interact and transact with their link branches regularly. *MicroSave's* field research as well as interactions with agents and BCNM staff shows that banks, both at regional and at branch levels do not support the business correspondent model whole heartedly. While the BCNMs complain about the unsupportive nature of the regional bank staff in processing their claims and in not informing local bank branches about new policy guidelines in a timely manner, the agents complain about them being not acknowledged in bank branches, about delays in account opening and pass book issuance, and finally, having to stand in long queues for depositing and withdrawing cash instead of having the process fast tracked for them.

On the other hand, bankers complain that their branches are understaffed when compared to the huge work load that they have in rural areas. The rural bank branches have two or in some cases, three people managing the entire bank branch and thus they do not have time for managing the FI operations. This results in putting even the most critical of BC operations on the back burner.

5.7 POLICY LEVEL CHALLENGE

- i. *Frequent policy changes:* The regulator's will to increase the number of people under the formal financial landscape has led to several policy changes in the past. In several instances, the new policy decisions overrule the existing ones bringing in confusion and lack of clarity among stakeholders. Not long ago policy makers had decided to allocate clusters to BCNMs so that they can leverage economies of scale in their operations. This had led to a huge question mark on the business continuity of BCNMs which were already operational in small geographies across India. Policy changes like these should be made keeping business continuity in mind. Owing to this lack of clarity, BC operations are hampered and slowed down
- ii. *Lack of insurance products for CSPs:* Agents complain about the risk of carrying cash as there have been incidences of theft and robbery during cash transit. Most of the BCNMs have not insured agents against the risk of theft during cash transit, and few which tried have witnessed barriers such as high insurance premiums and minimal bank support.

SECTION 6: BEST PRACTICES IN THE FIELD – BY BC AGENTS, BC COMPANIES AND BANKS

Based on our observations on the field, a number of Banks, Business Correspondent Agents (BCAs) and Business Correspondent Network Managers (BCNMs) have developed innovative ways of servicing their customers and driving business at their CSPs. These practices have served as a differentiating mechanism allowing for enhanced performance and superior customer service management, leading to the effective implementation of the BC model. These outstanding practices by banks, BCNMs and BCAs have produced the best results among those in the same industry and are listed below:

A. BEST PRACTICES BY BCAS

- i) **Record maintenance by agents:** Key successful agents are in the habit of maintaining records of both transactions as well as customer enrolments. Though tedious, this ensures that in case of any transaction failure or rejection of opening of accounts, the appropriate record is kept by the agent and in case of any customer disputes or bank queries; the agent is also able to furnish the records. Another advantage of record maintenance is that the agent is able to compare his commission earned based on the amount of business that he has generated.
- ii) **Relationship maintenance with bank staff:** Another feature that defines successful BCAs is the kind of relationship they maintain with the bank staff of their local link branch. A positive relationship created by extensive stakeholder engagement allows CSP staff to be seen as an extension of the banking channel and leads to several operational efficiencies such as timely cash withdrawals and deposits without having to waste time standing in queues, redirection of customers to the CSP in case of small ticket transactions thus increasing footfall and increased trust and awareness among customers about the benefits of using the CSP, among others.
- iii) **Financial Literacy initiatives by the Agent:** Some agents have taken up the onus of educating their customers about various banking products and the benefits of using the formal financial channel. The agents relate the financial needs of the customers to their life cycle needs such as setting aside money for emergencies as well as preparing for old age. This helps in customer awareness, results in increased footfall due to a higher number of potential customers becoming regular users of financial services as well as increased business for the banks for products currently not available at the CSP.
- iv) **Offering non-financial services:** Some agents, in a bid to increase customer foot fall, have started offering non-financial services such as the facility for photocopying and scanning. While this may not lead to direct attraction for customers for their banking services, there is a possibility of cross-selling, in which customers that visit the CSP to avail these non-banking services, are converted into banking customers by the convincing power of the agents. This in turn also improves agent viability.
- v) **Technical knowhow of agents:** Some agents have better technical knowhow than most of their peers. This enables them to solve a majority of the minor technical glitches that may affect them during the course of the CSP operation without having to wait for technical assistance from the BCNM or the TSP. This cuts down on the amount of downtime for the CSP with minimal effect on transaction volume.

B. BEST PRACTICES BY BCNMS

- i) **Agent selection guidelines:** Some BCNMs have laid out strict guidelines for appointing their agents. While initially these guidelines may seem onerous and make it slightly difficult to find potential agents, it has been noticed that once on board, agents matching the stringent selection criteria perform better and also find innovative ways of servicing their customers.
- ii) **Similarity of infrastructure at CSP premises to banks:** Some BCNMs have mandated that their CSPs mimic the look and feel of bank branches as closely as possible. This includes the counters at which customers interact with the agent, the furniture at the CSP as well as the boards and banners at the CSP and prominent use of the bank's logo both inside the premises as well as in external signage. All these features help to reinforce the idea of the CSP being an extension of the bank in the customer's mind.
- iii) **Agent meetings:** Some BCNMs have started a process of mass meetings of their agents at one location, mostly at their head office. This serves dual purposes of both refreshing the training of the agents as well as providing a platform for the agents to voice their issues and concerns in a public forum. This also allows peer learning from agents and sharing of successful business practices.
- iv) **Piloting CSPs in newer geographies:** Some BCNMs have changed their CSP operational model based on the geographical and infrastructural restrictions of their area of operations as well as customer sentiment. While piloting CSPs, these BCNMs place members of their team directly in the community to observe customer behaviour and make real-time refinements. This approach has given these BCNMs early successes and has helped them expand their offerings quicker.

C. BEST PRACTICES BY BANKS

- i) **Direct involvement of the link branch staff in BC operations:** Some bank branches have realised the potential of the BC channel and are extremely supportive when it comes to the day-to-day operations of the CSP. The support measures include regular visits to the CSP and engaging with customers there, addressing the grievances of the agents as well as treating CSP staff as an extension of their own banking staff by allowing them to deposit or withdraw cash separately without having to wait in a queue.
- ii) **Extension of Business Facilitator (BF) activities to the CSP:** A number of branches have also allowed the BCAs linked to them to work as Business Facilitators. This allows the BCA to engage more effectively with his customers as well as supplement the income from his CSP.

SECTION 7: RECOMMENDATIONS

In the course of this study, *MicroSave* identified certain gaps that can be bridged to make the BC business more sustainable and beneficial. Our prior experience in this field, feedback received from financial institutions such as RBI, NABARD and Bihar SLBC, and inputs from banks and BCNMs assisted in establishing and streamlining a set of recommendations. We have identified seven key objectives that we wish to attain through these recommendations at the strategic level. Keeping in mind the key stakeholders in the financial inclusion space, viz. financial regulators, banks and BCNMs, the operational recommendations supporting each of the objectives have been categorised according to the targeted audience.

An initial set of recommendations were presented during at Bihar State Financial Inclusion Forum in Patna on 9th June, 2014 in order to gather stakeholder feedback. The recommendations¹⁸ listed below have been finalised after incorporating feedback received from DFID, SIDBI, RBI, Banks, and BCNMs in Bihar.

OBJECTIVE 1: IMPROVE THE ATTRACTIVENESS OF THE FI SECTOR FOR POTENTIAL INVESTORS

In order to attract much needed capital, it is necessary to make BCNMs profitable for potential investors in a long run. *The reality is that investors will not be interested unless BCNM operations are profitable and without investment BCNM operations cannot expand to keep pace with policy-maker's vision for financial inclusion.* Profitability can be ensured only when BCNMs are remunerated adequately for their efforts. This in turn requires banks to build a business case to ensure that the business is sustainable – by charging reasonable fees and/or by enhancing the product offering to drive more transactions and float.

A task force constituted of the Reserve Bank of India (RBI), UIDAI, National Information Council, IBA, NPCI, Controller General of Accounts, Ministries of - Rural Development; Food and Public Distribution; Petroleum and Natural Gas; and Departments of - Financial Services, Expenditure, Fertilizers; under the chairmanship of Nandan Nilekani, Chairman, UIDAI, recommended a last-mile fee of 3.14% for DBT transactions. *MicroSave* also emphasised how 3.14% fee is a win-win for all stakeholders involved in direct benefit transfer (DBT) in its Policy Brief#11 “Optimising Commissions and Pay-out Mechanism for G2P Payments under Electronic and Direct Benefit Transfer”¹⁹.

Another approach to enhance BCNM profitability is by encouraging the identification and implementation of “reasonable service charges” for transactions, keeping the BCNM and CSP in mind. Regulators should lay special emphasis on understanding BCNM and CSP economics, thus ensuring adequate compensation to those involved. Studies to build on “Assessing Agent Profitability: *MicroSave*’s Agent

¹⁸It is striking how these recommendations continue to reflect *MicroSave*’s Policy Brief # 7 Behind the Big Numbers: Improving the Reach and Quality of Agent Networks in India

¹⁹Also refer to *MicroSave*’s Policy Brief # 8, What Will It Take To Deliver ‘Direct Benefits / Cash Transfer’ Programmes Successfully? -

Journal Studies” and deepen understanding of CSP and BCNM economics should be commissioned and disseminated in order to inform all stakeholders of the ground realities and assist them in formulating appropriate compensation policies. PSIG can commission a study to look at the costing and pricing aspects of the BC model to better inform the stakeholders on the underlying costs of the model and the consequent pricing at different levels of the value chain that can make it viable.

Apart from this, the current basket of products and services provided by BCNMs is inadequate to ensure BCNM viability and to serve customer needs. For the model to become profitable, greater attention needs to be paid to increasing the customer base per CSP. To achieve this, banks need to increase the products and services that the BC channel can offer. It has been observed that products offered vary from BCNM to BCNM and bank to bank, even when a guideline in this regard has already been issued by RBI.²⁰

We propose the following recommendations in order to attract investors towards the financial inclusion sector:

1.1 Policy level recommendations

- i. Implement the 3.14% fee recommended by the Nandan Nilekani Committee for DBT transactions.
- ii. Increase research studies identifying the BCNM and CSP economics in order to help determine appropriate compensation policies for financial inclusion transactions as well as the division of the 3.14% fee for DBT between banks, BCNMs and CSPs.
- iii. Connect social investors with BCNMs by providing the platforms for showcasing innovations in digital financial services.
- iv. Consider tax breaks/holidays for BCNMs.

1.2 Bank level recommendations

- i. Focus on expanding the range of product offerings that BCNMs offer and develop innovative products based on customer requirements to attract customers and enhance CSP viability. PSIG can in fact support a pilot project wherein a recurring saving deposit cum overdraft facility is tested giving low-income population with structured savings while ensuring that credit up to a certain per cent of the saved amount is available in case of an emergency.
- ii. In line with the RBI circular RBI/2009-10/238 and recommendations of the Mor Committee, begin charging “reasonable fees” from customers to ensure viability of the model.
- iii. Stop allocating financial inclusion projects on lowest bid basis and consider a minimum threshold to ensure sustainability of the operations.

OBJECTIVE 2: ENHANCE THE INTERNAL BUY-IN FROM BANKS AND BANK STAFF

While banks have adhered to the regulatory drive on the BC model, they are yet to seriously consider financial inclusion as a viable business opportunity. This has resulted in banks approaching financial inclusion as a compliance requirement and not a potential investment for future growth. Banks need to be fully involved and consider BC operations at par with other channels such as ATMs and branches. *MicroSave* in its “Great Business for Banks – So Why Are They Slow To Build Agency Banking?”

²⁰RBI's notification on 2 Sep 2013 regarding extension of services offered through BCs - <http://rbidocs.rbi.org.in/rdocs/notification/PDFs/CIR030913CONS.pdf>

highlighted how banks need to consider agent-based banking as a high potential business for several years now. The blog also highlighted that the activities that could be undertaken by the CSP were currently taking 51% of bank branch staff time.

As with investors, banks will buy into financial inclusion as viable and scalable only if there are adequate returns from the business. This in turn requires a concrete business case. In the current scenario, this is not possible unless banks diversify their product offering through this channel and/or introduce transaction fees for customers using this channel.

One way to obtain staff buy-in is to align bank staff incentives, at every level within banks' hierarchy, with financial inclusion business. Banks should also ensure that the staff of the link bank branch is incentivised to support expansion and growth. Link branches can also leverage the field expertise and prior relationships of CSPs for activities such as collecting low cost deposits and decongesting link branches.

We propose the following recommendations to garner necessary bank support:

1.1 Bank level recommendations

- i. Build the business case for themselves, BCNMs and CSPs by instituting reasonable fees for transactions.
- ii. In addition to BC activities, enlist CSPs to conduct BF activities as this can potentially result in increased CSP and BCNM viability, and free up time of branch staff.
- iii. Decongest branches by outsourcing low value transactions to CSPs.
- iv. Incentivise bank staff to leverage CSP field presence and knowledge to drive high value business to the link branch.
- v. Use the field expertise and prior relationships of CSPs to identify new customers.

OBJECTIVE 3: ENSURE SUSTAINABILITY OF CSPS

If we are to achieve financial inclusion through the BC model, the CSP is the primary, if not only, customer interaction point on a day-to-day basis. The quality of service the CSP offers, the client protection practices he follows and the support he provides for pushing financial education initiatives in his neighbourhood, are all directly linked to motivation level with which he conducts his business. Not so surprisingly, adequate and timely compensation are some of the major drivers of CSP motivation levels.

MicroSave in its Policy Brief#7 “Is the Business Correspondent Model in Policy Paralysis?” assessed CSPs' average earning in selected locations across various states in India. The analysis highlighted that understanding of implications of pricing mechanisms and price points for CSP economics, keeping the diversity of Indian demographics in view, are essential steps for ensuring nation-wide sustainability of the BC model.

One way of improving CSP sustainability is to ensure that there are more transactions at the CSPs. Banks can consider widening their product basket to enable this. Another way to enable more transactions would be by adding third party financial products. Some BCNMs are proactive and go out of their way to tie up with third party financial service providers to cross-sell relevant services. This approach is appreciated at the ground level, leading to a higher active customer base.

CSPs can also be potentially be used as a distribution channel to promote non-financial products since CSP counters have already been established across a large geographical spread. Non-financial products which are relevant for the customer segment that CSP caters to can be considered. This in-turn can generate more business for bank via cross selling BF activities to the new customers added.

During the field visits in Bihar, *MicroSave* observed situations on the field where CSP had received no remuneration for six months or more. This has resulted in high levels of dissatisfaction and is likely to lead to attrition in the future. Another observation was that many CSPs often had limited or no understanding of the fixed and variable commission component they receive monthly. They do not currently receive any information on the commission structure and break-ups of the same.

We propose the following targeted recommendations in order to ensure CSP sustainability:

1.1 Policy level recommendations

- i. Enable business viability for BCNMs and in turn CSPs by implementing the 3.14% fee for DBTs recommended by the Nandan Nilekani Committee, and instituting reasonable fees for CSP facilitated transactions.
- ii. Increase research studies to understand CSP and BCNM economics.

1.2 Bank level recommendations

- i. Bank should pay an adequate compensation to CSPs to ensure their viability with a minimum guaranteed monthly fixed wage, in line with minimum wage statutes.
- ii. Banks should focus on expanding the range of product offerings that all BCNMs offer through the BC channel and innovative products based on customer requirements should be encouraged to enhance CSP viability.

1.3 BCNM level recommendations

- i. BCNMs need to ensure timely CSP commission payment. This ensures reduced attrition rate and higher motivation levels among CSPs.
- ii. BCNMs should educate CSPs regarding commission structures and provide confirmations and statements regarding commission break-up to CSPs in order to motivate them to outperform and achieve higher transaction rates.
- iii. BCNMs should identify and tie up with third party financial service providers to cross-sell relevant services such as insurance if the supporting bank is not providing such product offerings.
- iv. BCNMs can consider using the BC channel as a distribution network to cross sell non-financial products relevant for the customer segment.

OBJECTIVE 4: BUILD TRUST IN CSP AS A CHANNEL

ATMs are now widely trusted and accepted by customers irrespective of the bank involved. This has been possible due to the mass promotion of ATMs by the banks. Similarly, even today, “Red Post boxes” placed in rural remote areas attracts customers who willingly drop their mail in them. This highlights how post boxes are trusted so that even unmanned boxes attract customers.

CSPs must also be developed and promoted as a trustworthy channel. In order to achieve this objective, CSP needs to have stable systems, sufficient liquidity and significantly reduced CSP churn rate.

MicroSave observed instances where Regional Bank Offices have not provided marketing collateral such as signage boards and posters to the CSPs. The research team also observed situations where the collateral is too old and mandatory information such as the CSP's contact number or branch staff contact details are not readable. Banks will have to ensure adequacy of collaterals, relevance of the material as well as regular updating of the information provided via the collaterals to ensure that the information is current and relevant.

MicroSave, during its field visits in Bihar, also observed inconsistent information displayed across CSPs. The banks will also have to ensure that all information pertaining to the CSPs is available at the link branch and that the important details are displayed prominently at the branch. This will serve to further increase trust in the channel as well as dispel any doubts of customers regarding the authenticity of the CSPs.

We propose the following targeted recommendations in order to achieve this objective:

1.1 Policy level recommendations

- i. Promote mass awareness campaigns, if possible, through ATL to build CSP as a trusted transaction point.
- ii. Develop standardised messaging for CSP as an entity.

1.2 Bank level recommendations

- i. Promote customer referrals from bank branches to CSPs. Bank branch staff should refer customers to CSPs. This will increase the trust in CSP, the CSP's client base, and in-turn profitability.
- ii. Standardise marketing collateral both at CSP and link bank branch. Banks need to ensure that the following information is present and readable:
 - CSP Location – Information regarding services available, CSP and bank staff contact details, grievance redressed process, and client protection practices should be readily visible at CSP.
 - Linked bank branch – CSPs names, CSP locations, photographs, and contact details should be visible to all customers at the linked bank branch.

1.3 BCNM level recommendations

- i. Focus on reducing CSP churn by enhancing CSP sustainability. As highlighted in Objective three, CSP sustainability will in turn lead to reduced CSP churn rate. This will further help in building customers' trust in the channel.
- ii. Ensure technology/systems stability. BCNMs should ensure that a consistent and stable technology platform is available for transactions.
- iii. Institute adequate liquidity management systems to ensure customer transactions are not denied or delayed.

OBJECTIVE 5: IMPROVE ACCOUNT ACTIVITY AND FLOAT

Improving account activity and float will enhance profitability for the banks and lead to sustainability for BCNMs and CSPs. There are several initiatives that can help drive activity in accounts. Providing a wider product basket, enabling interoperability, removing transaction restrictions, incentivising account activity, raising awareness among all stakeholders, and focussing on financial literacy efforts are some important steps.

A rural customer, not unlike their urban counterparts, needs not just a bank account but also a basket of other services such as credit, insurance, remittance, overdraft, fixed deposit, and recurring deposit. It is the combined package of these services which make an individual financially included and secure.

With banks' and regulator's focus shifting towards active accounts rather than number of accounts opened, banks and BCNMs need to ensure they provide all the support essential to CSPs for efficient and smooth functioning. This will also require a push from the banks' end to ensure that their CSPs focus on increasing their active customer base. The current basket of products and services provided by BCNMs to its customers is inadequate to serve their needs adequately. For the model to become viable, greater attention needs to be paid to increasing the customer base per CSP. To achieve this, banks need to increase the products and services that the BC channel can offer. It has observed that products offered vary from BCNM to BCNM and bank to bank, even when a guideline in this regard has already been issued by RBI²¹.

Various international policy advocacy firms in financial inclusion space such as International Finance Corporation (IFC) and *MicroSave* have been pushing for interoperability. In a report published by IFC in June 2013, it stated how BC interoperability is essential to better serve and nurture the remittance need of customers. Currently banks and BCs are together serving less than 50% of the INR 630 billion market for domestic remittances. Enabling BC interoperability will enable BCNMs to freely acquire inter-bank remittances. This can grow the market size for BCNMs from INR 75 billion to INR 140 billion.²² The RBI has proactively assessed the business potential and has permitted interoperability in principle from March 2012. However, to ensure maximum benefit to customers, interoperability of BCNMs of different banks needs to become a ground reality.

BCNMs feel that the current restrictions imposed by banks on deposits, withdrawals and account balances need to be lifted to facilitate more transactions. These transaction limits vary based on the banking partner associated. While there are transaction limit restrictions by RBI on BSBD-small accounts, customers can provide normal KYC documents and open a normal BSBD account at the CSP to avail bank-like transaction limits. Currently normal BSBD account is not provided by banks and thus customers have to visit bank branch to avail banking facilities similar to bank branch account. BCNMs have received numerous complaints from its customers regarding insufficient transaction limits.

Greater emphasis needs to be given to increase the quality, scale and speed of financial literacy initiatives among various stakeholders. RBI has been instrumental in pushing financial literacy initiatives. In 2013, it released financial literacy material consisting of a financial literacy guide, financial diary and posters in English, Hindi and regional languages, advising banks to use this material while conducting financial literacy camps. Bank and BCNM staff accepted that greater focus is needed in first educating them regarding financial inclusion and its benefits. Hence, the focus should be on educating BCNM staff, TSP and CSPs as they can act as ambassadors and educate customers at the time of transaction. A streamlined and informed effort from all stakeholders is essential to overcome day-to-day challenges in this business

²¹RBI's notification on 2 Sep 2013 regarding extension of services offered through BCs - <http://rbidocs.rbi.org.in/rdocs/notification/PDFs/CIR030913CONS.pdf>

²²IFC Mobile Money scoping Country Report: India, June 2013 - <http://www.ifc.org/wps/wcm/connect/49a11580407b921190f790cdd0ee9c33/India+Scoping+report+063013+for+publication.pdf?MOD=AJPERES>

We propose the following targeted recommendations in order to achieve this objective:

1.1 Policy level recommendations

- i. Build and improve trust in BC channel – As highlighted in Objective 4, policy push is essential to gain the traction needed to improve account activity and float.

1.2 Bank level recommendations

- i. Focus on expanding the range of services that all BCNMs offer through the BC channel and develop innovative products based on customer requirement. A recurring savings deposit cum credit product may better suit the market as compared to a vanilla savings product. Market research followed by pilot test of the product that emerges can inform the sector on the need for more client focussed products.
- ii. Build interoperability across BCNMs.
- iii. Lift restrictions on quantum of transactions (subject to regulatory limits) and promote normal BSBD accounts at CSP locations. Bank should consider allowing BSBD customers to transact at CSPs with transaction limits similar to a normal bank account, subject to regulatory restrictions.
- iv. Provide frequent trainings to the bank staff, BCNM staff, TSPs and CSPs on customer service, banking software, and client protection practices. Ideally CSPs should be trained according to the National Occupational Standards (NOS) developed by the BFSI Sector Skills Council for business correspondents.
- v. Invest in improving the quality, scale and speed of financial literacy initiatives among various stakeholders and end customers.
- vi. Ensure adequate compensation to CSPs as detailed in Objective 3.
- vii. Allow BSBD accounts to receive transfers from PPIs. With prepaid instrument issuers including Mobile Network Operators (MNOs) expanding their reach, banks should also lay special emphasis on opening up BSBD accounts to receive funds from prepaid account holders of mobile money customers.
- viii. Design the compensation structure in order to enhance account activity. Banks need to ensure that the compensation structure that BCNM and CSP receive is built keeping transactions in mind. Banks can also consider the account activity driven compensation models adopted by Mobile Network Operators (MNOs) venturing into financial inclusion market for adoption.

1.3 BCNM level recommendations

- i. Attract customers through BTL marketing activities. CSPs and field staff should allocate specific days to conduct BTL activities and attract potential customers.

OBJECTIVE 6: ENHANCE OPERATIONAL CONTROL AND MONITORING

MicroSave has observed that field level process compliance, control and monitoring efforts are often lax when it comes to financial inclusion initiatives. These operational challenges need to be addressed on a priority basis to ensure quality of service delivery and to prevent undesirable instances from diluting the reputation of the financial inclusion strategy.

The manpower crunch that rural bank branches face, together with the workload, is a recipe for no or minimal bank supervision of CSPs' day-to-day activities. It is the positive association with banks

that ensures customer trust and leads to transactions at the CSP. During our Bihar field visits, none of the CSPs interviewed were frequented by bank staff on regular intervals. The irony should not be overlooked – an effective CSP network would reduce the workload in the branches, which in turn would free up staff to visit the CSPs. Of course, whether bank staff wants to leave their branches and visit CSPs is perhaps another issue. RBI has also emphasised the advantages of frequent visits to CSPs in its discussion paper on the engagement of ‘for-profit’ companies as Business Correspondents. *MicroSave* in various prior studies, both nationally and internationally, has observed a stark difference in CSP performance when frequently monitored and supported by agent network manager or bank staff. Apart from increasing footfalls due to renewed trust among customers, visits also serve to maintain process compliance. A push from banks towards ensuring periodic bank staff visits to CSPs is vital.

Till date, the sector has seen a number of new entrants venturing into the BC business and restricting themselves only to a few states in India. With pressures around sustainability of operations and competition from new entrants, BCNMs have started to expand their businesses in order to leverage on economies of scale. This would require BCNMs to standardise certain policies and processes, for wider implementation. However, the reality on the ground is that very few BCNMs have actively standardised and documented their operational policies and procedures.

We propose the following targeted recommendations in order to achieve this objective:

1.1 Bank level recommendations

- i. Appoint dedicated field resources to manage and supervise the financial inclusion channel. These resources would be responsible for ensuring:
 - a. Compilation and review of agent specific MIS data. Banks should provide comprehensive CSP level MIS to facilitate smooth end of day settlement as well as performance management. When there is a robust MIS that displays CSPs’ real time balance, BCNMs and their agents can invest more capital in liquidity which will lead to enhanced business. A review of this MIS will also help in mapping the performance of various CSPs and in taking corrective action if needed.
 - b. Identification and replacement of inactive CSPs. Agents tend to become inactive and lose motivation sometimes for reasons such as lack of profitability of the business, unwillingness to invest in working capital, over expectations from the CSP business, low focus on CSP operations due to alternate businesses, and other job opportunities. At present the process of identification and replacement of existing CSPs is not standardised and cumbersome. Banks should play a greater role in agent identification and appointment.
 - c. Audit of link branch to include CSP audit. The annual audit of the link branch should also include audits of CSPs linked to it. This will ensure that all process compliance is maintained at the CSP level and also provide impetus to the FI business of the branch. This is already operationalised by few banks, but needs to be a mandatory requirement.
- ii. Ensure regular CSP visits by bank staff.

1.2 BCNM level recommendations

- i. Formulate standardised operating procedures and policies. To ensure continued growth and sustainability of operations, BCNMs should formulate standardised policies such as staff recruitment, training, commission structures, human resource management, and operating procedures.

OBJECTIVE 7: STANDARDISE CLIENT / CSP PROTECTION SYSTEMS

Client and agent protection is a vital element of complete financial system. This not just provides confidence to potential customers regarding the system, but also protects the current customer base. It requires participation from all stakeholders to ensure smooth delivery and uptake of financial services.

MicroSave gathered information around seven guiding principles of client protection: appropriate product offering and delivery, ensuring safety and reliability, transparency of products and services, responsible pricing, fair and respectful treatment of customers, mechanism for complaint resolution and security and privacy of customer data. While various practices for client and agent protection exist, they are often not the same across the Banks, BCNMs and the CSPs. We observed BCNMs having operational grievance redressal mechanisms only for select schemes and geographies. Many a times such practices were present just for compliance purposes with minimal efforts to maintain their efficiency.

We observed that banks and BCNMs are passing on the responsibility of client and agent protection on to each other. This lack of responsibility was also apparent in the way client and agent concerns were addressed. Many a times there was no recourse mechanism to raise their concerns. Cases where call centres were in place, they were either not operational or incapable to resolve queries. Situation demands clear allocation of this responsibility. At this point, banks are capable to allocate resources towards installing client and agent protection practices, Clients and agents are at the centre of financial inclusion and thus ensuring that their interests are protected should be a priority.

We recommend enhanced and standardised policies/processes to ensure client and agent protection. Besides banks should take responsibility for all protection related aspects, be it training, liquidity, fraud & risk, marketing / pricing collateral, etc.

We propose the following recommendations in order to achieve this objective:

1.1 Policy level recommendations

- i. Regulators should promote credible certification and self-regulation regarding client and agent protection practices. Regulators should push for certification programs to provide third-party opinions on provider compliance with agent and client protection principles.
- ii. Ensure that clients and agents have access to effective systems for recourse. These systems must be widely available and known to clients as well as agents.

1.2 Bank level recommendations

- i. Develop and implement specific client and agent protection standards, and institutionalise the same across geographies. Banks should take complete responsibility to integrate accepted standards into their operations, e.g., in policies, marketing, staff training and reward systems.

1.3 BCNM level recommendations

- i. Ensure effective execution of client and agent protection practices, as institutionalised by banks, on a day to day basis. Incorporating regular monitoring of these in day-to-day reporting will ensure that agent and client protection get the necessary focus.

OBJECTIVE 8: INSTITUTE BETTER SUPPORT SYSTEMS

CSPs need adequate support systems to ensure quality of service delivery to their end customers. The support mechanisms needed would include helpdesks for customer service, timely technology support, appropriate mechanisms for liquidity management, and protection from risks such as theft.

Banks should have a dedicated and fully operational support and complaint resolution mechanism for CSPs and rural customers. While many banks have proactively instituted helpdesks, a larger and more focused approach towards complaint resolution is essential. The helpdesk should cover queries related to processes, discrepancies, as well as grievance resolution.

The operations in the business correspondent space are still evolving. Every now and then a new challenge emerges which requires a comprehensive change in operations and the technology. There is a need for a flexible technology platform and round the clock CSP assistance to overcome these hurdles. BC model, due to its limited success and immense future growth potential, currently needs a helping hand from various stakeholders involved. This is essential to ensure continued growth and sustainability of the model.

One immediate need of CSPs is protection from risks such as theft. Operational and affordable insurance for cash-in-transit can help this need to a large extent. RBI's latest directive also highlights CSP cash insurance responsibility as an irritant in BCNMs success²³. While a few corporate BCNMs have the financial capacity to insure its CSPs against theft, others are still struggling for alternatives. Due to the non-existence of insurance or the high costs associated with insuring the CSPs, the loss of theft in most instances is likely to be borne by the CSP. To address this, RBI also instructed banks to consider cash handled by business correspondents as its own, thus entrusting banks with the responsibility to insure it.

We propose the following recommendations in order to achieve this objective:

1.3 Policy level recommendations

- i. Banking and insurance regulators can potentially explore working together with insurance companies and entities involved in financial inclusion to develop appropriate insurance products suited for the sector.

1.4 Bank level recommendations

- iii. Provide cash-in-transit insurance while ensuring that BCNMs do not end up bearing a disproportionately large proportion of the costs of the insurance.
- iv. Institute a dedicated and fully operational support and complaint resolution mechanism for CSPs and rural customers.

1.3 BCNM level recommendations

- ii. Provide dedicated technical team for the CSPs.
- iii. BCNMs and TSPs should ideally maintain and agree upon performance contracts which list down the level of technical support to be provided as well as turnaround time for solving various technical issues.

²³RBI guideline released on April 2014 - http://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=8848

SECTION 8: CSP CASE-STUDIES²⁴

8.1 RAJESH KUMAR, HARDI, MUZZAFARPUR - SANJIVANI VIKAS FOUNDATION

AGENT PROFILE

Rajesh Kumar, a resident of Hardi Panchayat in Bihar's Muzzafarpur district has been associated with SVF since November 2011. Working as a Business Correspondent Agent for SBI, thirty four year old Rajesh also owns a petrol pump and a fleet of buses. He is a person of repute in the Panchayat.

At his CSP, Rajesh employs two staff members who assist him in opening accounts and in transactions. The staff members are dedicated to only the CSP work and have no involvement with Rajesh's other businesses.



CUSTOMER PROFILE INCLUDING GENDER DISAGGREGATED DATA

Agriculture is the primary occupation in Hardi and nearby villages. Most male family members migrate to other states to seek employment. As a result of this migration of a majority of the male populace, about 75% of the customers are female. The migrated section of the community remits money home. And in the village most of the women make withdrawal transactions only.

Recently, he has started opening accounts for MNREGA workers also. He has also opened 200 recurring deposits (RD) and he feels that these accounts will help him maintain long-term relationship with his customers since the RD facility ensures that customers visit the CSP on a regular basis.

As on March 2014, Rajesh has opened 3,915 accounts spread across 25 villages, of which 2,500 customers have done at least one transaction.

“People have renewed trust in my CSP because of my other large businesses”

-Rajesh Kumar, when asked how his customers perceive the CSP

AGENT'S OPERATIONAL STRATEGY

1. Day To Day Functioning

Rajesh starts his day at 8 in the morning, visiting his petrol pump, from where he picks up cash to

²⁴The information presented is as shared by agents during field visits conducted in first week of April 2014. Also the information may vary across agents due to the variation in data captured and maintained by them.

manage the liquidity at his CSP. This suits his requirements since the banks would not open for a couple of hours and if he were to visit the bank branch, it would take him anywhere between an hour to two hours to withdraw cash. Rajesh unhappily mentions that long queues and link failure are all too common at the branch.

He reaches the CSP and opens for business at 10 AM to mimic the bank’s opening hour. He says this reinforces the idea that the CSP is an extension of the bank, in the customer’s mind.

There is usually a queue of customers when he opens the CSP and business in the morning is brisk. Once the initial cash gets exhausted, either he or one of his staff members visits the linked branch to withdraw more cash. The number of customers visiting the CSP has been steadily increasing and looking at the increased footfall, Rajesh has reserved Saturdays for account opening only.

This streamlines the work at the CSP and reduces inconvenience to transacting customers or the CSP staff. However, in case of any urgent account opening, the customer’s KYC documents are collected and he/she is not turned away.

In the evening, he settles the cash which was originally taken from the petrol pump for CSP activities. As the number of withdrawal transactions and volumes exceed deposits, he does not need to visit the bank branch and deposit excess cash at the end of the day. In the rare instances that he has excess cash at the end of day, he is forced to keep the cash with him since the bank branch is closed by the time he closes his CSP. In such cases the worry of theft or robbery, which are common in the area, plague him.

2. Innovative ways to increase footfall

When Rajesh started the CSP, he went door to door informing villagers that the CSP would open bank accounts on behalf of SBI. Apart from that, he contacted the opinion leaders of the village to explain to them, the concept of a BC. This helped him gain a significant customer base in the first year of operations.

3. Strategies for mitigating operational risk

Rajesh has made a substantial investment to ensure smooth functioning of CSP. He has installed an inverter and has staff support to ensure smooth operations and service delivery.

TRANSACTION PROFILE AND SEASONALITY

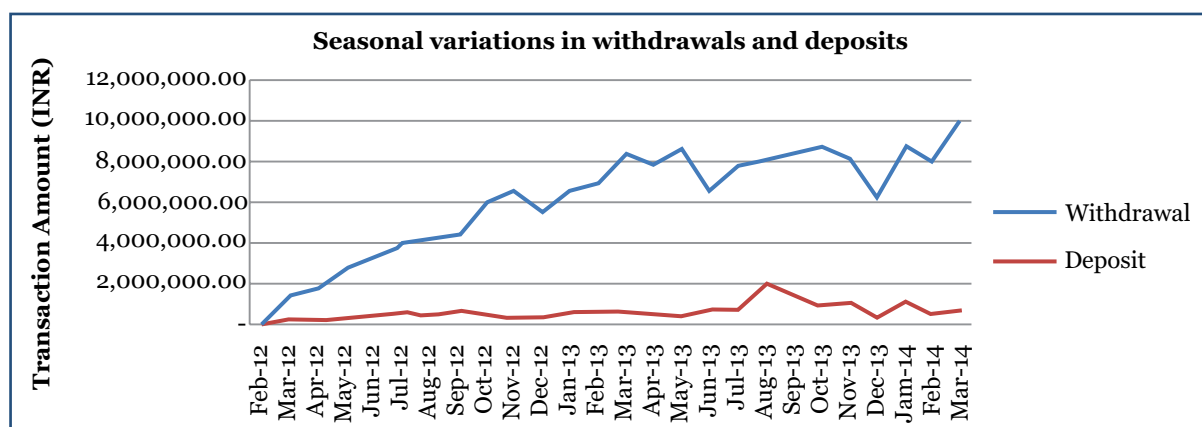
Rajesh is among the top agents of SVF in Bihar. His monthly transaction volume is as high as INR77 lakh when INR10 lakh was transacted on a daily basis over the last three years. Average transaction amount per customer during that period was about INR 13,000.

Operational Details

Maximum volume of transaction done in a month	INR 77,00,000
Average number of transactions daily	75
Maximum volume of transaction handled in a day in last three years	INR 10,00,000
Fingerprint failures per day	2
Deposit and withdrawal ratio	1:10

Rajesh’s CSP point as mentioned before sees more withdrawals by customers than deposits. The variations in the transactions are presented below:

Graph 7: Monthly variation in amount of deposit and withdrawals



The hikes in March, September, October, and November are attributed to festive seasons whereas in the months of April, June, July and December there is a dip in the transaction volumes. It is interesting to note that no such seasonality is observed in deposit volumes as they are usually in the form of minor savings from homemakers. A slight spike in the monsoon season is explained by higher amounts of inward remittances during the season since there is little business activity.

Months	Reasons for increase or decrease in withdrawal commissions
March	Due to festival of Holi in Hindu religion. Apart from that a lot of villagers receive money for their harvest in this month.
October- November	In these two months a lot of migrants return home for the festival. These migrants deposit money in their family members' accounts before leaving home.
May-June	Usually, this is an auspicious wedding time in his area and hence withdrawal happens frequently.
August and July	In these two months, due to heavy rainfall, customer footfall decreases as people avoid visiting the CSP.
January, February, April, September and December	Transactions remain moderate during these months as there are no specific reasons to withdraw money.

MONTHLY SUMMARISED FINANCIAL STATEMENTS

Rajesh has made a substantial investment to start his CSP. Particular importance was given to ensure that the look and feel of the CSP was largely identical to that of a bank branch. This required significant investment on furniture and fittings. Since he was aware that power availability is a problem in his area of operations, he has invested a significant amount of money to purchase an inverter

Operational Details

Fixed investment	Amount (INR)
Security deposit to SVF	25,000
Furniture and fittings	20,000
Laptop and other accessories	20,000
Printer	6,000
Electrical appliances	2,000
Finger print machine	3,000
Data card	1,400
SIM cards-2	200
Inverter (Electricity Backup)	18,000
Total	95,600

to ensure that operations are not interrupted by lack of electricity. Rajesh's capital expenditure details are presented here

Recurring monthly expenses	Amount (INR)
Inverter maintenance expenses	1,000
Travel costs	800
Staff salaries	15,000
Internet charges	2,000
Stationery	2,000
Miscellaneous	2,000

Multiple sources of internet connectivity are present at the CSP to ensure seamless transactions.

A summarised income and expenditure statement for Rajesh's CSP is presented below:

Revenue	Amount (INR)	Expenses	Amount (INR)
Average monthly Revenue	57,800	Recurring expenses	22,800
Net income		35,000	

The recurring expense on the inverter is because of frequent and long power outages that require regular maintenance. In addition, he has to bear the cost of fuel for travelling to the local linked branch to manage the liquidity for the CSP. Rajesh also pays a fair salary of INR 15,000 in total to both his staff members. He feels that this also increases their motivation levels and checks attrition. After paying out INR 22,800 as average monthly expenses, Rajesh makes a profit of INR 35,000 on an average every month.

ASSESSMENT OF CLIENT PROTECTION PRACTICES

Rajesh understands the importance of the security of client's money and the importance of maintaining the trust of customers. He has taken a number of steps to ensure that the interest of his customers is protected. He ensures that the contact numbers of bank employees are displayed prominently. He has also displayed the contact numbers of the District Coordinator of SVF and the branch manager of the linked branch at his counter. The customers can contact them in case of any query or complaint regarding the CSP.

Rajesh also ensures that a complaint register is maintained for customer grievances. He feels that as a BCA, he cannot solve many of the issues that his customers may have and through the complaint register, he can bring the problems of his customers to the attention of staff from bank as well as SVF.

Rajesh ensures that for every successful transaction that a customer does, a printed receipt is generated by the system and is handed over to the customer. He also instructs customers that they should not leave the service counter without a receipt. He does not provide any manual receipt to the customers.

IN CONCLUSION

Of the three CSPs that operate in and around Rajesh's CSP counter, he is the most trusted and successful. He mentions that since he has started operations, the business at the nearby Kshetriya Gramin Bank

branch has reduced significantly. The following qualities and critical decisions have helped him earn customer's trust:

Ensuring Quality Services

Rajesh aims to have zero transaction denials. To achieve such high levels of customer service, he has made significant investment in CSP counter infrastructure and liquidity. Power and data connectivity are two major bottlenecks in rural Bihar that hamper CSP operations. To deal with power outages there is an arrangement of an inverter and Rajesh ensures that the inverter is maintained on monthly basis. To manage the issues of data connectivity, Rajesh has a broadband connection and has two SIM cards of different operators as a backup option.

Liquidity Management

Rajesh also owns a petrol pump and buses fleet. He does not depend upon bank and SVF for immediate cash requirement to make withdrawal transactions. He has invested a sum of INR 500,000 which remains in the system and is an opportunity cost for him. During the monsoon season, sales of the petrol pump and revenue from his transport business decrease. This leaves fewer funds for managing his CSP and the link branch has to be visited during peak hours for cash withdrawal. Rajesh however ensures that his customers do not face any issues.

Public Relations

Rajesh is among the influential people in his panchayat. People respect him and he is seen as an opinion leader. To maintain his rapport among villagers, he tries to help customers in their personal problems as well. It is exemplified through an incident where he went to a moneylender to inform him that a customer who visited CSP for account opening would be able to transact in 15 days and he assured the moneylender that she would return the money once she received cash in her account. There are various such cases where he has helped the customers and earned their trust and respect.

With further support around adequate commission, timely commission pay-outs and other technical challenges, Rajesh sees immense growth potential in his business.

8.2 SHAILESH KUMAR, GHIVADAR, EAST CHAMPARAN - SANJIVANI VIKAS FOUNDATION

AGENT PROFILE

Shailesh Kumar, a resident of Ghivadar Village in Bihar's East Champaran district has been associated with SVF since December 2010. Working as a Business Correspondent Agent for SBI, the twenty nine year old Shailesh also operates a Vasudha Kendra and Mahindra Information Centre. He is a political science graduate. He has two paid employees that work for him and assist him in opening accounts and transactions. He mentions that these two staff members are designated for CSP work only.

He is also actively involved in community work and social services such as volunteering in NGOs and relief camps. This has made him a known and trusted figure in this vicinity.



60% of Shailesh's clients are female. Around 90% of his customers transact regularly at his counter.

CUSTOMER PROFILE INCLUDING GENDER DISAGGREGATED DATA

Farming is the primary source of income in his and nearby villages.

In most of the families, at least one male member stays with family and does farming while other migrates to bigger city such as Mumbai, Delhi, Ludhiana, Surat in search of employment opportunity.

Around 60% of Shailesh's customers are females and most of them make withdrawal transactions only. As on March 2014, Shailesh had opened 7,200 accounts spread across 10 villages. Of these, 6700 are currently active. Out of the total accounts, he managed to open 1,500 accounts of MNREGA workers.

AGENT'S OPERATIONAL STRATEGY

1. Day to day functioning

Shailesh starts his day at 8 in the morning, and is operational till 6 in the evening. He is extremely punctual and has also instructed his staff to behave in the same way. He believes that if a customer returns without timely service, s/he will never return and might also spread negative publicity. Shailesh's customers transact in the early hours and then leave for their jobs. His customers appreciate his efforts of providing this facility.

After serving the customer from 8am to 10:30am, Shailesh halts the CSP operations and everyday visits the link branch to rebalance cash. He does not allow his staff members to work in his absence, as he fears they might over charge customers. Females in rural areas usually remain busy in household chores till 1pm. Thus, either majority of the customer footfall is before 10am or after 1pm. Customers who visit the counter when Shailesh is not around either wait or return later to make transactions.

Shailesh has now attained a threshold of transacting customers and thus to limit account opening requests, he entertains opening requests only on Saturdays.

When Shailesh's cash in hand gets exhausted, he visits the linked branch which is 12KM away to withdraw more cash. He travels in his car to the bank branch and withdraws cash. He consolidates his account on the evening to start afresh from next day.

2. Innovative ways to increase footfall

At the time of CSP inauguration, Shailesh invited influential people from the village. The intent was to develop potential opinion leaders' who would later propagate his services and CSP. Village head, Bank representative and retired army officer were invited for the CSP inauguration. Shailesh explained the product offerings and CSP concept in detail to above mentioned dignitaries, who bought the concept and hence forth have supported him as his ambassadors.

Shailesh believes that if he provides quality services to his customers, they will do marketing for his CSP through words of mouth. He also runs Vasudha Kendra and Mahindra Information Center, and uses these channels to market the benefits of BSBD account and other services available at CSP. Shailesh has placed SBI banner on CSP's main gate and this has also assisted him in pulling the customers to the CSP.

3. Strategies for mitigating operational risk

To meet the withdrawal demand on weekends and holidays, Shailesh has maintained 10 bank accounts with ATM cards for each of these accounts. He visits the nearest ATM to withdraw cash and manage his liquidity during days when bank branch are not available for cash withdrawal.

Shailesh has invested INR 5,00,000 in this business to manage the day-to-day liquidity at this CSP. He uses this amount to facilitate withdrawal transactions. The link branch is 12 km from the CSP counter and he travels there in his car. Although this is an expensive mode of travel, but he still prefers it because of the security concerns of carrying cash. He mentions that his area is not the safest place in Bihar, and there are almost daily incidences of looting.

TRANSACTION PROFILE AND SEASONALITY

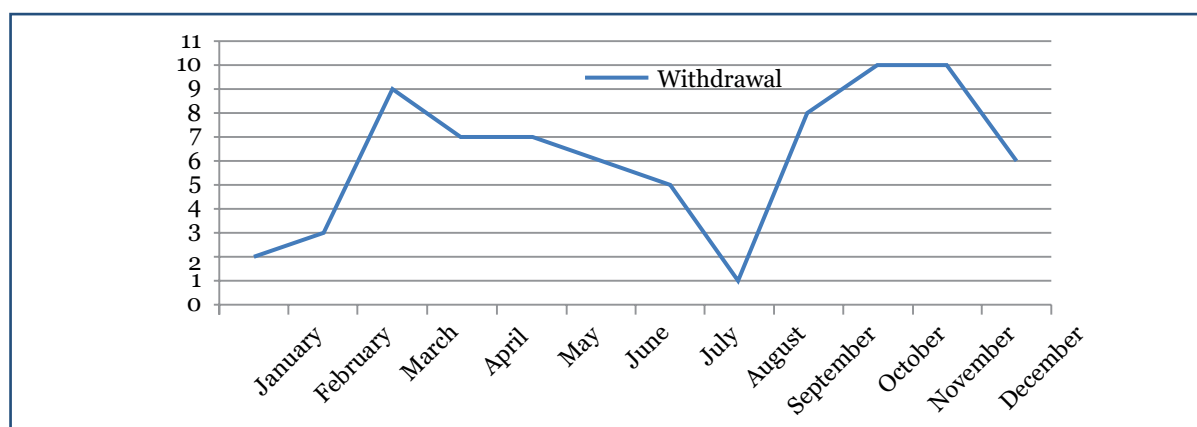
Shailesh is among the top agents of SVF in Bihar. His monthly transaction volume is as high as INR 2 crore wherein INR 10 lakhs are transacted on a daily basis. Average transaction amount per customer is around INR 5,880.

Maximum volume of transaction done in a month	INR2 Crore
Average number of transactions daily	170
Maximum volume of transaction handled in a day in last three years	INR 10,00,000
Average amount per withdrawal transaction	6,000
Fingerprint failures per day	2
Deposit and withdrawal ratio	1:10

Shailesh ranked commission earned on withdrawal and deposit transactions over the past year and below is the pattern that we observed²⁵.

²⁵Shailesh ranked withdrawal commission earned per month during the last one year from 1 to 10. Rating 10 was provided for months he received highest withdrawal commission and 1 for the months with lowest withdrawal commission earned. Ranking was considered as Shailesh did not have the exact transaction commission details.

Graph 8: Ranking of monthly withdrawal commission earned



The hikes in March, September, October, and November are mostly due to festive seasons whereas in the months of April, June, July and December there is a dip in the transaction volumes.

Months	Reasons for increase or decrease in withdrawal commissions
January, February, April, September and December	Transactions remain moderate during these months as there are no specific reasons to withdraw money.
March	This is considered as month for high transactions as there is a festival of Holi in Hindu religion. Apart from that a lot of villagers receive money for their harvest in this month.
October- November	In these two months a lot of migrant returns back to their home due to Diwali and Dusshera. These migrants deposit money in their family members' account before leaving to home.
May-June	Still in these villages, most of the customers still live in joint family. The withdrawal transaction increases as people need money to pay admission fees of their children.
August and July	In these two months due to heavy rainfall, customer footfall decreases as people avoid to go to CSP.

Shailesh highlighted that deposits do not see much variation as they are a minor part of his business volumes compared to withdrawal.

MONTHLY SUMMARISED FINANCIAL STATEMENTS

Shailesh had made some initial investment to start his CSP. Since he was aware that power availability is very poor in his vicinity, he invested a significant amount to purchase an inverter. All

Fixed investment	Amount (INR)
Security deposit to SVF	25,000
Furniture	50,000
Laptop and accessories	40,000
Printer	20,000
Electrical appliances	5,000
Finger print machine	3,000
Data card	1,500
SIM cards-3	300
Web camera	1,000
Generator	40,000
Total	185,800

fixed assets except the generator are purchased and used specifically for the CSP business. Generator is shared between his other two businesses also. As detailed in the table below, Shailesh made an initial fixed asset investment of INR185,800 which he sourced from his alternate businesses.

Recurring monthly expenses	Amount (INR)
Fuel for Generator	7,500
Travel to link branch	2,400
Staff salary	12,000
Room rent	2,000
Internet charges	2,000
Stationery	2,000
Miscellaneous	2,000
Total	29,900

The high recurring expense on diesel is because of frequent and long power outages that require generator backup.

Also since he uses his car to travel to the link branch, a significant amount is spent on the same.

Revenue	Amount (INR)	Expenses	Amount (INR)
Average monthly Revenue	67,400	Recurring expenses	29,900
Net income		37,500	

ASSESSMENT OF CLIENT PROTECTION PRACTICES

In line with the client protection practices followed by SVF and SBI, Shailesh has taken a number of steps to ensure that the interest of his customers is protected. He mentions that since he started operations, the business at the nearby RRB branch has reduced significantly. The RRB branch holds only 6000 active accounts which is less than Shailesh's total customer base. The following qualities and critical decisions have helped him earn customer's trust.

Staff members cannot transact in Shailesh's absence

Shailesh does not allow his staff members to transact in his absence. He does so to prevent the staff members from overcharging customers.

Contact numbers of bank employees are displayed

Shailesh has displayed all collaterals received from the bank. Apart from that, he has shared the contact numbers of the District Coordinator of Sanjivani, and the link branch manager at his counter.

Hands over system printed receipts

Shailesh ensures that for every successful transaction that a customer does; a system printed receipt is generated and handed over to the customer. He insists that customers should not leave the counter without transaction receipt for every successful transaction.



IN CONCLUSION

Of the six CSPs that operate in and around Shailesh's CSP counter, he is the most trusted and successful. He mentions that since he has started operations, the business at the nearby Regional Rural Bank branch has reduced significantly. The following qualities and critical decisions have helped him earn customer's trust.

Extended services

The CSP counter operates everyday even on Sundays, bank holidays, festivals, and national holidays. Since Shailesh is always available for facilitating transactions, transaction denials due to unavailability of the CSP are rare. Even at the time of server downtimes, Shailesh is available to answer to customer queries, whereas his counterparts in his vicinity close their counters. Shailesh also provides services beyond his official schedule. As mentioned earlier he runs CSP from 8:00 AM to 6:00 PM

Ensure quality services

Shailesh believes that customer is the king. He aims to have zero transaction denials. To achieve such high level of customer service, he has made significant investment in CSP counter infrastructure and liquidity.

Power and data connectivity are two major bottlenecks in rural Bihar and hamper the CSP operations.

To deal with power outages there is an arrangement of a generator and Shailesh ensures that fuel to run the generator is always present in adequate quantity. To manage the issues of data connectivity Shailesh has a broadband connection and has three SIM cards of different operators as a backup.

Personal background and public relations

Shailesh is resident of the same locality where he operates. His ancestral house is in the same village, and his family is living over there for over 50 years. Since the customers trust him for their banking needs, he does not have to invest a lot of time and resource to convince people to use his services. It can be exemplified that Shailesh opened his CSP regularly for 15 days even when SBI server was not working. He did not make any transaction but he was there to inform customer that it is just a technical issue and their money is safe in bank account.

With further support around cash in-transit insurance, proper training on computer skills and bank branch support, Shailesh sees immense growth potential in his business.

8.3 BHARAT BHUSHAN, GHOGHA, MUZZAFARPUR - SANJIVANI VIKAS FOUNDATION

AGENT PROFILE

Bharat Bhushan, a resident of Ghogha Panchayat in Bihar's Muzzafarpur district has been associated with Sanjivani Vikas Foundation (SVF) since March 2011. Working as a Business Correspondent Agent of SVF for State Bank of India, twenty six year old Bharat has no other source of income. Bharat has established a SBI kiosk at his residence in Ghogha district. He has two transaction windows present at CSP. Thus it provides customers the experience of transacting at the bank branch itself. Bharat is the most preferred agent among six other CSPs operating in 10KM radius around his kiosk and customers from other villages prefer to transact from his kiosk.

As on March 2014, Bharat has opened 3,066 accounts spread across 10 villages, of which 2,289 customers are active users. Bharat facilitates 75 to 90 transactions per day. About 70% of Bharat's customers are females who make withdrawal transactions only.



70% of Bharat's clients are female.
75% of his customers transact regularly at his counter.

CUSTOMER PROFILE INCLUDING GENDER DISAGGREGATED DATA

Agriculture is the primary occupation in Ghogha Panchayat, and majority of the households are involved in farming. Bharat mentioned that male members from many families go out of the village in search of better employment opportunities. Migration of males from the village in search of employment has ensured that majority of his customers are females—who receive remittance.

Cash crop sugarcane is grown abundantly in the area. Farmers in the village sell their produce to nearby sugar mill and receive bulk payments directly in their bank accounts — primarily held with Regional Rural Banks. Bharat had specifically targeted these farmers to open accounts with him. Now these farmers regularly make bulk withdrawals of their payment from his counter.

AGENT'S OPERATIONAL STRATEGY

1. Day to day functioning

Bharat starts his day at 8 in the morning and operates till 5 in the evening. He is full-time dedicated towards BC business and follows a fixed working schedule. Bharat mentions that during summers customers prefer transacting either early in the day or late in the afternoon. The initial two hours of operations are usually the busiest for him.

Customer transactions at Bharat's kiosk can be classified into two categories - savings and remittances. Since 2011, both these categories have witnessed increase in transaction volume and cash managed.

Type of transaction	2011	2012	2013	2014 until April
Savings mobilized(INR) in lakhs ²⁶	3.5-4	10-15	20-24	45
Remittance withdrawals(INR) in lakhs	80-90	250	600	300

Consistent increase in savings and remittance amount handled is mostly due to the trust Bharat has garnered in the area. During the initial days of his operations, he faces many challenges in convincing customers to avail his services. He recollects that his business grew many folds after successfully convincing sugarcane farmers to open account at his counter and regularly transact with him. Bharat has a dedicated staff assisting him in manning the CSP. When the cash in hand gets exhausted, he visits the linked branch which is 8KM away to withdraw more cash. He travels on his bike to the bank branch and withdraws cash. In the evening, he reconciles his account and settles the cash with the link bank branch in order to start afresh from next day.

2. Innovative ways to increase footfall

Bharat's unique selling point is his non-tolerance for service denials. He has never denied any transaction and this word-of-mouth publicity has further increased his customer base. He proudly states that "customers who live close to other CSPs make an effort to transact at his counter, because I never deny any transaction."

3. Strategies for mitigating operational risk

To stand by the reputation of no service denials at his counter, Bharat ensures no stone is unturned to maintain liquidity. He visits the bank as many times as necessary to have the excess cash to facilitate future transactions. He keeps varying the working capital invested in this business according to the expected liquidity requirement. Fingerprints scanner provided to Bharat often fails to work. Currently Bharat is forced to replace the scanner every three to four months in order to avoid impact on customers. This hampers his business and customer service.

TRANSACTION PROFILE AND SEASONALITY

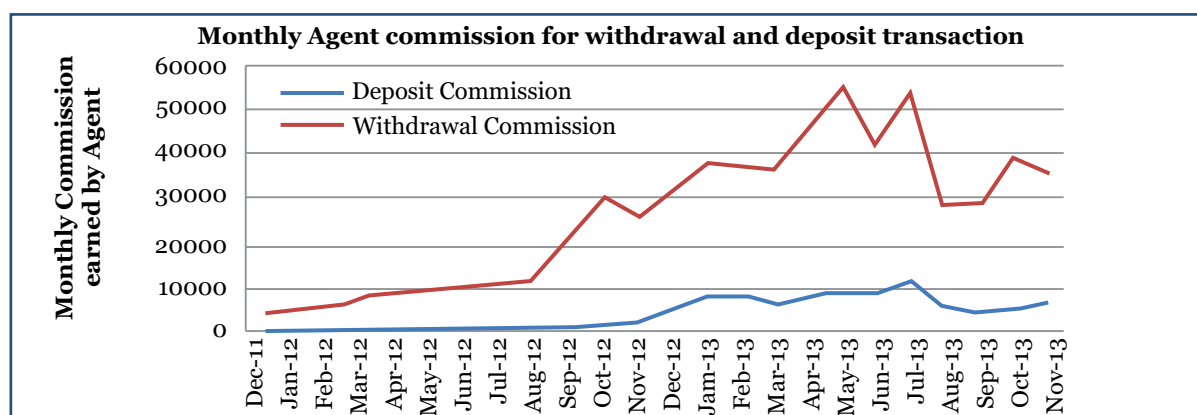
Average monthly transaction volume	INR1-1.2 crores
Average daily transaction	INR3.5-4 lakhs
Daily customer footfall	80-90
Male: Female ratio	3:7
Withdrawal: Deposit ratio	83:17

Bharat is among the top agents of SVF in Bihar. His monthly transaction volume - has been as high as INR 1 crore per month when INR 3-4 lakhs was transacted on a daily basis. Average transaction amount per customer during that period was about INR 4,400.

Bharat observed following variations in commission earned on withdrawal and deposit transactions over the past year.

²⁶In Dec 2013 SBI shifted its Business Correspondent transaction server and thus precise data regarding savings is not readily available it's thus data not readily available. The figures quoted are as told

Graph 9: Monthly Agent commission earned from deposit and withdrawal transactions



The hikes are mostly during the sugarcane harvest season. High withdrawals indicate farmers drawing money deposited by factory.

Bharat had made some initial investment to start his CSP. Since he was aware that power availability is very poor in his vicinity, he invested a significant amount to purchase a generator in partnership with three neighbouring shopkeepers. Bharat made an initial fixed asset investment of INR 113,700, details of which are shown in the table.

Monthly Summarised Financial Statements	Amount (INR)
Fixed investment	Amount (INR)
Security deposit to SVF	25,000
Furniture	20,000
Laptop and accessories	40,000
Printer	12,000
Electrical appliances	2,000
Finger print machine	3,000
Data card	1,500
SIM cards-2	300
Generator	10,000
Total	113,700

The recurring expense on the generator is because of frequent and long power outages that require regular maintenance. In addition to this, he has to bear the cost of fuel for travelling to the local linked branch.

Recurring monthly expenses	Amount (INR)
Fuel for generator	3,000
Travel to link branch	800
Staff salary	5,000
Internet charges	2,000
Stationery	2,000
Miscellaneous	2,000
Total	14,800

Agents' monthly revenue comprises of commission received from various transactions and services provided, based on formal arrangement with SVF and SBI. Bharat receives no fixed component as salary. The figures quoted below provided by Bharat and verified from transaction registers.

Bharat earns around INR 25,000 on a monthly basis. This is exceptionally high when compared to SVF's average agent earning of INR 10,000 per month.

Revenue	Amount (INR)	Expenses	Amount (INR)
Average monthly Revenue	40,000	Recurring expenses	14,800
Net income		25,200	

ASSESSMENT OF CLIENT PROTECTION PRACTICES

In line with the client protection practices followed by SVF and SBI, Bharat has taken a number of steps to ensure that the interest of his customers is protected.

Explanation of product features

Bharat verbally explains product features and pricing to prospective customers in detail, before enrolling them. He ensures that the customer is aware regarding the Do's and Don'ts displayed at his counter.



Contact numbers of bank employees and SVF staff are displayed

The contact details of SVF District Coordinator (DC) and link branch manager are displayed at his counter. Bharat regularly reiterates the same to his customers. This ensures customers can directly get in touch with SVF or the bank for their grievances, if needed.

Provides printed receipts

Bharat ensures that customers do not leave the counter without transaction receipt after every successful transaction. He tells customers that this slip is proof of success of transaction and is crucial.

IN CONCLUSION

Of the six kiosks based CSPs that operate in the 10KM radius around Bharat's CSP counter, Bharat is the most trusted and successful. He mentions that since he has started operations, a lot of customers from RRBs shifted to his counter. The following qualities and critical decisions have helped him earn customers' trust:

Discipline in opening and closing of the CSP Counter and ensuring that Kiosk is open at the said time

Bharat has a dedicated staff assisting him in manning the CSP. This ensures that CSP services are not disrupted during his bank visits. The CSP counter operates everyday including Sundays, bank holidays, festivals, and even national holidays.

Ability to invest in the business

Bharat ensures cash in cash out are always honoured and plans for liquidity well in advance.

Communication and sales skills

Bharat is outspoken and enjoys casual conversations with customers. This ensures that he is able to explain the utility of CSP services to the villagers easily. This has resulted into a loyal customer base that trusts him for their banking needs.

With further support around diversified product offerings and other technical challenges, Bharat sees immense growth potential in his business.

8.4 ARUN KUMAR, MAI, NALANDA – SAVE

AGENT PROFILE

Arun Kumar, a 63 year old resident of Mai in Bihar's Nalanda district has been associated with SAVE since April 2011. Initially his daughter PremLata worked as a Business Correspondent Agent for the State Bank of India (SBI) with Arun mainly playing an advisory role. However after her marriage late last year, he has taken over the responsibility of the CSP full time. A well respected member of the local community, Arun's family has substantial land holdings in the area and he has been a prominent social worker.

At his CSP, Arun employs four employees who are charged with the day to day operations of the Customer Service Point (CSP). These employees are graduates, capable of running the CSP by themselves. Arun has also appointed a manager who supervises the CSP and handles customer queries and grievances. The manager is also responsible for filling up account opening forms and for collecting the Know Your Customer (KYC) documentation. Arun plays more of an advisory role and engages himself with his other business interests. The staff members are dedicated to only the CSP work and have no involvement with Arun's other businesses.



Villagers from as far as 30 kilometres away visit the CSP to carry out transactions. The main reason for this is the polite and helpful behaviour of the CSP staff

CUSTOMER PROFILE INCLUDING GENDER DISAGGREGATED DATA

The primary occupation of residents of Mai and other neighbouring villages is agriculture. The village is located close to the town of Hilsa which has a number of micro and small enterprises which manufacture industrial items and household articles which employ local residents. Since Hilsa is well connected to the capital city of Patna, a majority of the young people of the area have migrated there for employment. Other popular destinations for young people seeking employment include the neighbouring state of Uttar Pradesh as well as Delhi and Punjab. The remaining local populace is mainly engaged in small scale farming and daily wage labour. This leads to a high amount of remittances that are sent back, especially during festive seasons. This is a primary reason for a significantly higher number of withdrawal transactions at his CSP.

A majority of the customers of the CSP are female. Arun is also an agent for SBI's life insurance services though he mentions that there is not much demand for life insurance policies.

AGENT'S OPERATIONAL STRATEGY

1. Day to day functioning

Arun ensures that his CSP opens at 10 in the morning. He feels that this reinforces the idea that the CSP is an extension of the bank in the customer's mind. One of his staff members visits the local link branch

before opening the CSP to withdraw cash to manage the CSP's liquidity for the day. There is usually a long queue of customers waiting to transact and Arun mentions that maximum customer footfall is during the morning.

His staff is fully engaged till the afternoon, by when the number of customers decreases. During this period, one of his staff members again visits the bank branch to deposit or withdraw money. During certain periods, such as the wedding season or during festival periods, the staff members often visit the bank branch more than twice a day due to increased customer withdrawals.



There is almost always an increase in customer activity in the evenings which is attributed mainly to daily wage labourers dropping in at the CSP on their way home. Arun's customers include villagers of areas which are quite far from his CSP. They feel that they get a better service at Arun's CSP than at other banking outlets and hence prefer to visit Mai.

At about 6pm, Arun prepares the reconciliation statements for the day and checks the transaction register. After settling the cash for the day he closes the CSP at 7 pm. In some cases, Arun has kept the CSP open till late night based on the requirements of his customers.

Arun has a few grievances which he feels should be addressed to enable him to function better. These have been listed below, highlighting the present support system available and also the need for further intervention from the BCNM, the bank or policy level stakeholders:

- He feels that the SAVE's commission pay outs are not very transparent. He has no information about the commission paid to SAVE by SBI and feels that he should be making more money compared to the amount given to him by SAVE.
- The CSP also faces frequent technical challenges on two fronts. Firstly, the finger print detection hardware often does not recognise the fingerprints of certain customers, especially those involved in manual labour. He feels that these customers are semi-literate and would be comfortable with a signature based system as present in formal channels. Secondly, there have been several glitches in the bank server which has affected the CSP business negatively. The problems with the server have meant that the CSPs are unable to transact for long periods of time and this has eroded customer trust in the channel.
- SAVE's BC agents have had to wait for commission pay outs multiple times. This sometimes becomes a serious source of demotivation for both Arun and his staff. SAVE's view is that the pay outs are delayed by the bank and that they have no control over the same.

2. Innovative ways to increase footfall

Arun makes sure that all his customer's needs are met. He feels that by treating his customers with respect, he makes sure that they have a good experience and this makes them prefer his CSP over other banking outlets. Several customers of Hilsa too, prefer to transact at his CSP rather than going to the bank branch which is closer to their residences.

“Our only mantra is to serve the customers politely and respectfully. Infact till date, even after three years since starting the CSP, no one has ever raised their voices here”

-Arun Kumar, when asked what was the most important feature of the CSP.

3. Strategies for mitigating operational risk

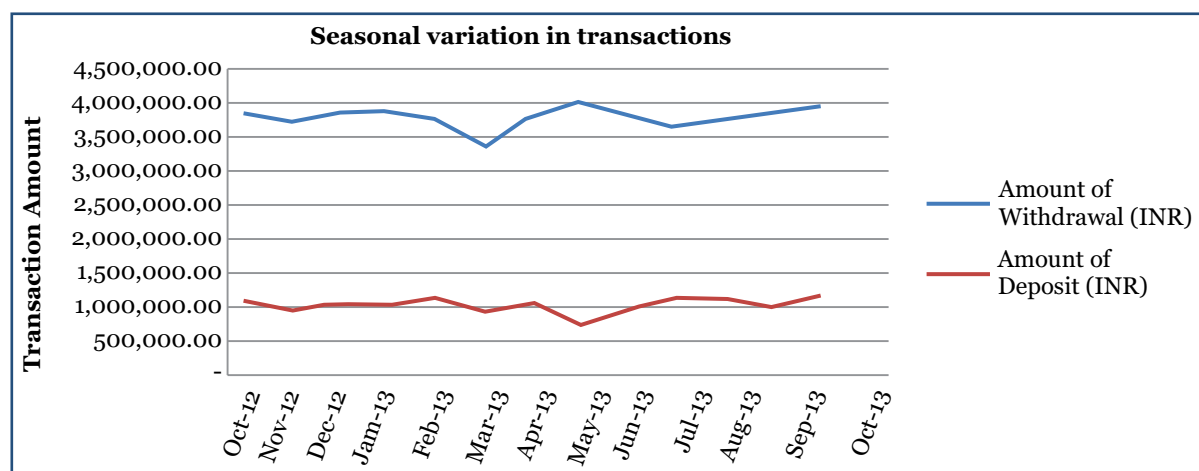
The CSP has purposely been opened next to a police station and this gives both Arun and his customers a greater sense of security.

Arun has also built up a good rapport with the manager and staff of the local link branch. He thus receives greater levels of support from the branch. His CSP was inaugurated by the Assistant General Manager of the bank. When his staff members visit the branch to deposit or withdraw funds to manage the liquidity at the CSP, they are given preferential treatment and do not have to wait in queue. They are treated with respect and feel that they are an extension of the bank’s channel.

TRANSACTION PROFILE AND SEASONALITY

Arun’s CSP as mentioned before sees more withdrawals by customers than deposits. The variation in the transactions is presented below:

Graph 10: Seasonal variation in transactions



Operational Details

Number of accounts opened	8,000
Number of active accounts	7,500
Maximum value of transactions done in a month	INR51,68,000
Average number of transactions daily	300
Average monthly transaction value	INR48,45,000
Deposit and withdrawal ratio	1:12

The hikes in withdrawal transactions in May and June are mostly due to increased amounts of spending during the festive season. Withdrawals reduce in the months of February and March because family members who normally remit funds often visit their families during these months, bring money with them. There is also a dip in transaction volume during the monsoon season as villagers prefer not to visit the CSP.

It is interesting to note that no such seasonality is observed in deposit volumes which are fairly uniform as they are usually in the form of minor savings from homemakers. A slight dip in the festive season is explained by higher amounts of expenditure during the festive season and less money left over for savings.

MONTHLY SUMMARISED FINANCIAL STATEMENTS

Arun has made substantial initial investments to start his CSP. Particular importance was given to ensure that the look and feel of the CSP was largely identical to that of a bank branch. This required significant investment on furniture and fittings.

Since he was aware that power availability is a problem in his area of operations, he has also invested a significant amount of money to purchase a generator to ensure that operations are not interrupted by lack of electricity.

He has also arranged for a broadband internet connection to ensure seamless transactions. Arun's capital expenditure details are presented here.

BCA Cost Structure (INR)

Security deposit to SAVE	50,000
Furniture and fittings	100,000
Laptop and other accessories	50,000
Printer	4,000
Electrical appliances	3,000
Banners and hoardings	4,000
Finger print machine	1,500
Broadband connection	2,000
Inverter	16,000
Total	230,500

A summarised income and expenditure statement for Arun's CSP is presented below:

Expenses	INR	Income	INR
Staff salaries	20,000	Average monthly commission	60,000
Internet	1,000		
Maintenance expenses	1,000		
Stationery	600		
Electricity	1,000		
Total	23,600	Net Income	36,400

Arun earns an average of INR60,000 as commission from the CSP activity. He pays his staff members a fair salary as he feels that they should be adequately compensated for the work they put in at the CSP, which sometimes involves dealing with irate and unruly customers. He feels that this also increases their motivation levels and checks attrition. The maintenance expense every month is mostly on the inverter is because of frequent and long power outages that require regular maintenance. He also employs a cleaner to ensure that the premises are clean and hygienic. After paying out INR23,600 as average monthly expenses, Arun makes a profit of INR36,400 on an average every month.

ASSESSMENT OF CLIENT PROTECTION PRACTICES

Arun understands the importance of the security of his customers' money and of maintaining the trust of customers. He has taken a number of steps to ensure that the interest of his customers is protected. He ensures that the contact numbers of bank employees are displayed prominently as well as all information collateral received from bank. Apart from this, he has displayed the contact numbers of the District Coordinator of SAVE and the branch manager of the linked branch at his counter. The customers can contact them in case of any query or complaint regarding the CSP.



At his CSP, Arun also ensures that a complaint register is maintained for any customer grievances. He feels that as a BCA, he cannot solve many of the issues that his customers may have and through the complaint register, he can bring the problems of his customers to the attention of staff from both the bank as well as SAVE. He also maintains a transaction register in which all transactions are noted down for future reference as well as an account opening register in which he maintains the details of every account holder.

Arun also ensures that for every successful transaction that a customer does, a printed receipt is generated by the system and is handed over to the customer. He also regularly instructs customers that they should not leave the service counter without a receipt. He does not provide any manual receipt to the customers.

IN CONCLUSION

Though there are two other CSPs in the same service area, Arun's CSP is the most trusted and successful. He mentions that since he has started operations, the crowd at the local link branch has eased considerably. The following qualities and critical decisions have helped him earn customer's trust:

Personal background

Arun has been actively involved in social work throughout his life. As a result, he is well known and respected in the area. He is an important member of the community and has also served as an advisor to the Gram Panchayat. All these factors help him in his business as they serve to build trust among his customers. Hence, he does not have to invest a lot of time and resource to convince people to use his services.

Infrastructure and image of the CSP

The premises of Arun's CSP have been built up to closely resemble a bank branch. The counters are very similar to a bank branch as well as the furniture and fittings. The various sign boards and banners at his CSP are also the same as those found at a rural bank branch. The SBI logo and name is displayed prominently both inside the CSP and outside. Arun maintains that these features have helped considerably in building trust among his customers and has led to an increase in customer activity.



Support from the local link branch

Arun has built up a good rapport with the manager and staff of the local link branch. He thus receives greater levels of support from the branch. His CSP was inaugurated by the Assistant General Manager of the bank. When his staff members visit the branch to deposit or withdraw funds to manage the liquidity at the CSP, they are given preferential treatment and do not have to wait in queue. They are treated with respect and feel that they are an extension of the bank's channel.

Social standing in the community

Arun is among the more influential people in his village. People respect him and he is seen as an opinion leader. He goes out of his way to help his customers, especially illiterate customers who come to open accounts at his CSP. Apart from providing financial services to them, he instructs them on how to manage their finances and also to invest their money.

Arun has been a prominent member of the community and his CSP is well known among the local populace. He feels that the CSP channel is sustainable but in order to further drive the financial inclusion agenda among untapped populations, the range of products and services offered at a CSP must be increased. This will allow the full potential of BC agents to be realised.

8.5 SHAMBHUSHARAN, TARWA, GAYA – SAVE

AGENT PROFILE

ShambhuSharan, a 42 year old resident of Tarwa village in Bihar's Gaya district has been associated with SAVE since November 2011. Working as a Business Correspondent Agent for the State Bank of India (SBI), he also owns a garment shop and runs a private Industrial Training Institute (ITI), both of which had been established more than a decade ago. He is a person of repute in his village and in his own words, people have renewed trust in the CSP he owns because of his other businesses, especially the ITI which provides technical education to young people of the area.



At his CSP, Shambhu employs two employees who are charged with the day to day operations of the Customer Service Point (CSP). These employees are graduates, capable of running the CSP by themselves. Shambhu plays more of a supervisory role and engages himself with his other business interests. The staff members are dedicated to only the CSP work and have no involvement with Shambhu's other businesses.

CUSTOMER PROFILE INCLUDING GENDER DISAGGREGATED DATA

Agriculture is the primary occupation of residents of Tarwa and other neighbouring villages. The majority of the local populace is engaged in small scale farming and regularly visit Tarwa to sell their produce. As with other areas in the region, a significant portion of the young male population has migrated to other cities and towns in Bihar as well as other states to find employment. This leads to a high amount of remittances that are sent back, especially during festive seasons. This is a primary reason for a higher number of withdrawal transactions at his CSP.



A majority of the customers of the CSP are female and visit the CSP more frequently than their male counterparts. Shambhu is also an agent for SBI's life insurance services. Interestingly, he mentions that a large number of young men who work in other states, have purchased some form of life insurance policy from him when they visit home. The premiums for these policies are then paid by their family members out of the remittances sent to them.

AGENT'S OPERATIONAL STRATEGY

1. Day to day functioning

Villagers come to Tarwa early in the morning to sell goods or farm produce to wholesale vendors or intermediary retailers. These villagers, a majority of them being Shambhu's customers, prefer to visit the CSP early as well. However, Shambhu opens the CSP at 10 am to mimic bank opening hours. He feels that this reinforces the idea that the CSP is an extension of the bank in the customer's mind. As a

result, there is generally a queue by the time the CSP opens. A weekly market is held on Saturday, and Shambhu makes an exception and starts operations early to deal with the extra crowd. He mentions that most female customers are accompanied by a male member of the family and this causes overcrowding at the CSP. He normally steps in to manage the crowd and has also instructed his staff be polite yet firm when dealing with customers.

Business in the morning is brisk and his staff is fully occupied with conducting transactions for the customers. At times even Shambhu, who normally only supervises the activity at the CSP, has to step in and handle customer queries and other matters to allow the CSP to function smoothly. After the initial hours of business, customer footfall gradually decreases and by mid-afternoon there is only a trickle of customer activity, starkly different from the frenzy of the mornings. By 4 in the evening, the CSP is almost deserted and apart from one or two rare customers, the CSP is empty.

At about this time, Shambhu starts his reconciliation activity as per the bank's records and completes this process by 5 pm. However, he instructs his staff to remain present at the centre till 6pm to cater to any customers who may just walk in.

Shambhu has a few grievances which he feels should be addressed to enable him to function better. His commission pay outs have not been made in a timely manner and have been long and far in between. Also, he feels that the withdrawal limit of INR10,000 a day is too little. This has been backed by *MicroSave's* interactions with customers of the CSP who want the limit to be extended to at least INR25,000 per day. The current limit is too little for even small scale workers who want to buy raw material for their undertaking. Even for weddings and other personal engagements, customers require a considerable amount at one go. Two other issues that he feels need to be addressed immediately are the technical challenges related to the finger print scanners and at the backend server maintained by the bank.

2. Innovative ways to increase footfall

Shambhu believes in never saying no to any customer no matter what their transactional need may be. To achieve such high levels of customer service, he has made significant investment in CSP counter infrastructure and liquidity. Power and data connectivity are two major bottlenecks in rural Bihar that hamper CSP operations. To deal with power outages he has invested in an inverter. To manage the issues of data connectivity, Shambhu has also installed a broadband connection for the CSP.

An interesting feature of Shambhu's CSP is that staff from the local link branch at Wazirganj, which is 10 kilometres away, visit his CSP every day to collect and handover cash according to the requirements of the CSP. This helps him save time as well as mitigates the risk of carrying large amounts of cash to deposit at the branch.

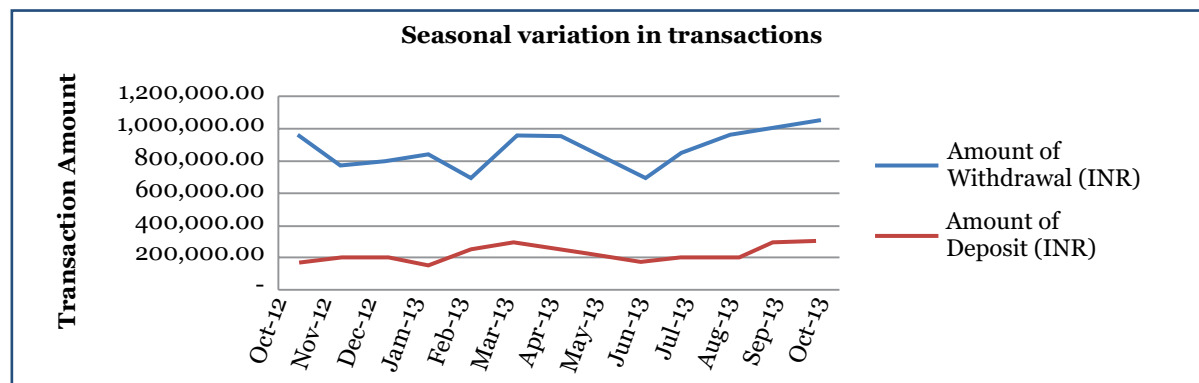
3. Strategies for mitigating operational risk

Shambhu has built up a good rapport with the manager and staff of the local link branch. He thus receives greater levels of support from the branch and this is happy due to the fact that he is assisted in liquidity management, wherein the transport of cash to and from his CSP is done by the staff of the branch.

TRANSACTION PROFILE AND SEASONALITY

Shambhu's CSP as mentioned before sees more withdrawals by customers than deposits. The variations in the transactions are presented below:

Graph 11: Seasonal variation in transactions



Operational Details

Number of accounts opened	11,000
Number of active accounts	10,000
Maximum value of transactions done in a month	INR13,56,000
Average number of transactions daily	150
Average monthly transaction value	INR11,00,000
Deposit and withdrawal ratio	1:6

The hikes in withdrawal transactions in October and March are mostly due to increased amounts of spending during the festive season. There is a dip in transaction volume during the winter and monsoon seasons as villagers prefer not to visit the CSP. It is interesting to note that no such seasonality is observed in deposit volumes which are fairly uniform as they are usually in the form of minor savings from homemakers.

A slight spike in spring is explained by higher amounts of inward remittances during the festive season.

MONTHLY SUMMARISED FINANCIAL STATEMENTS

Shambhu has made substantial initial investments to start his CSP. Particular importance was given to ensure that the look and feel of the CSP was largely identical to that of a bank branch. This required

significant investment on furniture and fittings. Since he was aware that power availability is a problem in his area of operations, he has also invested a significant amount of money to purchase a generator to ensure that operations are not interrupted by lack of electricity. The generator is also used for his other business premises which are located next to the CSP.

BCA Cost Structure (INR)

Security deposit to SAVE	50,000
Furniture and fittings	40,000
Laptop and other accessories	30,000
Printer	5,000
Electrical appliances	3,000
Banners and hoardings	6,000
Finger print machine	2,000
Broadband connection	2,000
Generator	16,000
Total	154,000

He has also arranged for a broadband internet connection to ensure seamless transactions. Shambhu's capital expenditure details are presented here.

A summarised income and expenditure statement for Shambhu's CSP is presented below:

Expenses	INR	Income	INR
Staff salaries	21,000	Average monthly commission	45,000
Internet	1,000		
Maintenance expenses	1,000		
Stationery	400		
Electricity	500		
Total	23,900	Net Income	21,100

Shambhu pays both his staff members well above the local wage rates as he feels that they should be adequately compensated for the work they put in at the CSP, which sometimes involves dealing with irate and unruly customers. He feels that this also increases their motivation levels and checks attrition. The maintenance expense every month is mostly on the inverter is because of frequent and long power outages that require regular maintenance. After paying out INR23,900 as average monthly expenses, Shambhu makes a profit of INR21,100 on an average every month.

ASSESSMENT OF CLIENT PROTECTION PRACTICES



Shambhu understands the importance of the security of his customers' money and of maintaining the trust of customers. He has taken a number of steps to ensure that the interest of his customers is protected. He ensures that the contact numbers of bank employees are displayed prominently as well as all information collateral received from bank. Apart from this, he has displayed the contact numbers of the District Coordinator of SAVE and the branch manager of the linked branch at his counter. The customers can contact them in case of any query or complaint regarding the CSP.

At his CSP, Shambhu also ensures that a complaint register is maintained for any customer grievances. He feels that as a BCA, he cannot solve many of the issues that his customers may have and through the complaint register, he can bring the problems of his customers to the attention of staff from both the bank as well as SAVE.



Shambhu ensures that for every successful transaction that a customer does, a printed receipt is generated by the system and is handed over to the customer. He also regularly instructs customers that they should not leave the service counter without a receipt. He does not provide any manual receipt to the customers.

IN CONCLUSION

Of the six other CSPs that operate in and around Shambhu's CSP counter, he is the most trusted and successful. He mentions that since he has started operations, the business at the nearby RRB branch has reduced significantly and even the crowd at the link branch has eased considerably. The following qualities and critical decisions have helped him earn customer's trust:

Personal background

Shambhu is resident of the same locality in which he operates. His ancestral home is in the same village, and his family has been based there for over 50 years. He also operates an ITI and has built up his reputation in local areas. All these factors help him in his business as they serve to build trust among his customers. Hence, he does not have to invest a lot of time and resource to convince people to use his services.

Infrastructure and image of the CSP

The premises of Shambhu's CSP have been built up to closely resemble a bank branch. The counters are very similar to a bank branch as well as the furniture and fittings. The various sign boards and banners at his CSP are also the same as those found at a rural bank branch. The SBI logo and name is displayed prominently both inside the CSP and outside. Shambhu maintains that these features have helped considerably in building trust among his customers.

High levels of service delivery

Shambhu believes in never saying no to any customer no matter what their transactional need may be. To achieve such high levels of customer service, he has made significant investment in CSP counter infrastructure and liquidity. Power and data connectivity are two major bottlenecks in rural Bihar that hamper CSP operations. To deal with power outages he has invested in an inverter. To manage the issues of data connectivity, Shambhu has also installed a broadband connection for the CSP.

Support from the local link branch

Shambhu has built up a good rapport with the manager and staff of the local link branch. He thus receives greater levels of support from the branch and this is evidenced by the fact that he is assisted in liquidity management, wherein the transport of cash to and from his CSP is done by the staff of the branch.

Social standing in the community

Shambhu is among the more influential people in his village. People respect him and he is seen as an opinion leader. He goes out of his way to help his customers, especially older customers whose fingerprints aren't recognised by the hardware. He has on more than one occasion asked remitters to send money into his personal account which he then hands over to the beneficiaries.

Shambhu is optimistic about his future as a CSP-in-charge and feels that once this channel becomes more established, the product offering will grow as well. He understands that a few major impediments still belie the sector, but is confident that with active engagement from all stakeholders involved, the BC model is prove to be a lasting success.

8.6 SUDHESHWAR SINGH, MANOPALI, SARAN – SAVE

AGENT PROFILE

Sudheshwar Singh, a resident of Manopali village in Bihar's Saran district has been associated with SAVE since November 2011. Working as a Business Correspondent Agent for the State Bank of India (SBI), he is active in local politics and belongs to a family of politicians working at a grass root level. He also has significant land holdings and other business interests. Sudheshwar is respected in his village and people have renewed trust in the CSP because of his other social interests and community activity.



At his CSP, Sudheshwar employs three employees who are charged with the day to day operations of the Customer Service Point (CSP). These employees are all graduates, capable of running the CSP by themselves. Sudheshwar plays more of a supervisory role and engages himself with his other business interests. Saurabh Kumar, one of the staff members who manages all operations of the CSP and reports to Sudheshwar. The staff members are dedicated to only the CSP work and have no involvement with Sudheshwar's other businesses. The CSP is located very close to the bank branch and is viewed by local residents as a bona fide extension of the bank. There are frequent visits by the bank staff and this also re-affirms the faith of the customers in the CSP as a legitimate extension of the bank.

CUSTOMER PROFILE INCLUDING GENDER DISAGGREGATED DATA



Agriculture and daily wage labour are the primary occupation of residents of Manopali and other neighbouring villages. As with other areas in the region, a significant portion of the young male population has migrated to other cities and towns in Bihar as well as other states to find employment. This leads to a high amount of remittances that are sent back, especially during festive seasons. This is a primary reason for a higher number of withdrawal transactions at the CSP.

AGENT'S OPERATIONAL STRATEGY

1. Day to day functioning

The CSP opens at 9 am every morning and often there is already a queue of customers waiting to transact. Villagers come to the local link branch every morning and are directed to transact at the CSP in order to prevent overcrowding at the branch. Saurabh and other staff members start operations and it is important to note that many customers come to open bank accounts, which requires one of the staff members to be engaged full time in account opening processes such as filling up the account opening form and collecting Know Your Customer (KYC) documents.

There is high customer footfall in the mornings which gradually decreases as the day goes by. In some days, especially when local beneficiaries receive their benefit payments, there is customer activity at the CSP all day long. During these days, it becomes difficult to manage the customers and Saurabh admits that there have been cases of heated arguments between customers and the CSP staff.

Managing liquidity is not a problem at the CSP as the link branch is not too far away and it does not take too much time for the staff to visit the branch. However there has been an incident of robbery in the past when the CSP staff was robbed of the money he had withdrawn from the bank. This has led to a heightened sense of security and one of Sudheshwar's employees from his other businesses is tasked with visiting the branch on behalf of the CSP.

In the late afternoon customer activity dwindles to an odd customer who comes in to transact and the CSP staff are able to update their records regarding customer transactions and enrolments. Just before closing hours, the cash settlement is done and the CSP staff wrap up for the day.

The CSP closes at 5 pm after which Saurabh reports to Sudheshwar apprising him of the day's activity.

The staff at the CSP feels that since, at point of time, there is always a large amount of money at the CSP, there is always a threat of theft or robbery. Already having been subject to an armed robbery before where INR400,000 was stolen, the staff feels that there should be some form of security or insurance facility provided by the bank.

2. Innovative ways to increase footfall

The CSP has been purposely established close to the local link branch and this helps in increasing customer footfall. Sudheshwar also maintains a very positive relationship with the bank staff, who in turn, directs all customers with transactions of less than INR10,000 to transact at the CSP. As a result, the CSP is guaranteed of a high customer footfall without having to market itself.

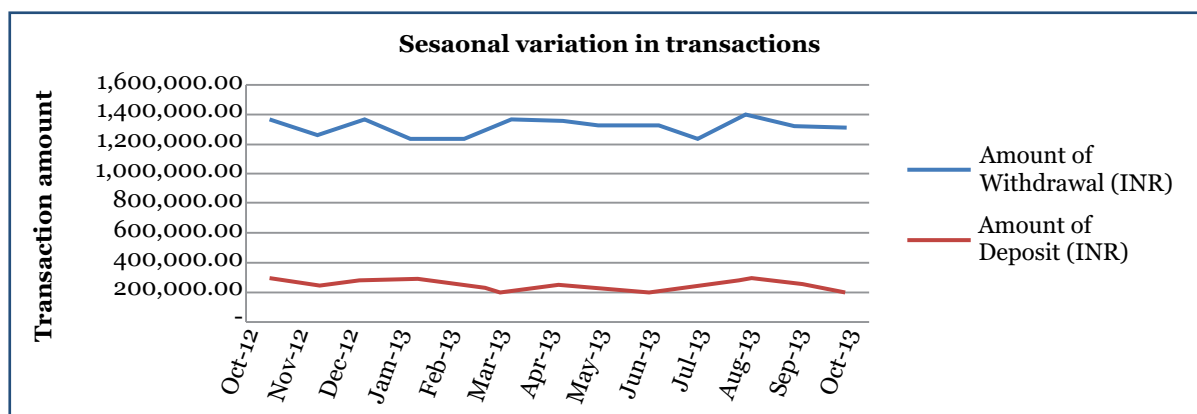
3. Strategies for mitigating operational risk

Since there has been an incident of robbery in the past when the CSP staff was robbed of the money he had withdrawn from the bank, there is special care while handling cash. This has led to a heightened sense of security and one of Sudheshwar's employees from his other businesses is tasked with visiting the branch on behalf of the CSP. He is always accompanied by one or two other members of Sudeshwar's staff and only travels in a four wheeler.

TRANSACTION PROFILE AND SEASONALITY

The CSP, as mentioned before, sees more withdrawals by customers than deposits. The variations in the transactions are presented below:

Graph 12: Seasonal variation in transactions



Transaction Profile

Number of accounts opened	2300
Number of active accounts	2200
Maximum value of transactions done in a month	INR16,58,000
Average number of transactions daily	100
Average monthly transaction value	INR15,68,000
Deposit and withdrawal ratio	1:6

The transactions are fairly uniform throughout the year with no notable hikes or dips. The slight increases in withdrawal transactions are explained by higher inward remittances during festive periods such as weddings and other festivals. Deposits are fairly more uniform and represent small savings by local housewives and the elderly.

MONTHLY SUMMARISED FINANCIAL STATEMENTS

Sudheshwar has made substantial initial investments to start his CSP. Particular importance was given to ensure that the look and feel of the CSP was largely identical to that of a bank branch. This required significant investment on furniture and fittings. Since he was aware that power availability is a problem in his area of operations, he has also invested a significant amount of money to purchase an inverter to ensure that operations are not interrupted by lack of electricity.

BCA Cost Structure (INR)

Security deposit to SAVE	50,000
Furniture and fittings	20,000
PC and other accessories	30,000
Printer	3,000
Banners and hoardings	2,000
Finger print machine	1,500
Data cards	1,500
Inverter	14,000
Total	122,000

He has also arranged for multiple data cards to ensure seamless transactions. Sudheshwar’s capital expenditure details are presented in the table 1.

A summarised income and expenditure statement for Sudheshwar's CSP is presented below:

Expenses	INR	Income	INR
Staff salaries	20,000	Average monthly commission	45,000
Internet	600		
Maintenance expenses	500		
Stationery	300		
Electricity	800		
Total	22,200	Total	22,800

Sudheshwar pays both his staff members fair salaries as he feels that they should be adequately compensated for the work they put in at the CSP, which often involves dealing with irate and unruly customers. He feels that this also increases their motivation levels and checks attrition. The maintenance expense every month is mostly on the inverter is because of frequent and long power outages that require regular maintenance. After paying out INR 22,200 as average monthly expenses, Sudheshwar makes a profit of INR 22,800 on an average every month.

ASSESSMENT OF CLIENT PROTECTION PRACTICES

Sudheshwar understands the importance of the security of his customers' money and of maintaining the trust of customers. He has taken a number of steps to ensure that the interest of his customers is protected. He ensures that the contact numbers of bank employees are displayed prominently as well as all information collateral received from bank. Apart from this, he has displayed the contact numbers of the District Coordinator of SAVE and the branch manager of the linked branch at his counter. The customers can contact them in case of any query or complaint regarding the CSP.



At the CSP, Sudheshwar also ensures that a complaint register is maintained for any customer grievances. The manager, Saurabh feels that, as a BCA, they cannot solve many of the issues that their customers may have and through the complaint register, they can bring the problems of customers to the attention of staff from both the bank as well as SAVE.

The staff at the CSP ensures that for every successful transaction that a customer does, a printed receipt is generated by the system and is handed over to the customer. Saurabh also regularly instructs customers that they should not leave the service counter without a receipt. The CSP does not provide any manual receipt to the customers.

IN CONCLUSION

Of the two other CSPs that operate in and around Sudheshwar's CSP, his is the most successful. His staff mentions that since the CSP has started operations, the crowd at the link branch has eased considerably. The following qualities and critical decisions have helped him earn customer's trust:

Personal background

Sudheshwar is a resident of the same locality in which he operates. His ancestral home is in the same village, and his family has been based there for a very long time. He is a local political figure and is actively engaged in grass root political activity. His family too has a few members who are members of the local gram panchayat and other district councils. These factors help in building trust among his customers.

Infrastructure and image of the CSP

The premises of the CSP have been built up to closely resemble a bank branch. The counter is very similar to a bank branch and the various sign boards and banners at his CSP are also the same as those found at a rural bank branch. The SBI logo and name is displayed prominently both inside the CSP and outside. Saurabh maintains that these features have helped considerably in building trust among the customers of the CSP.

Proximity to and support from the local link branch

The CSP is extremely close to the local link branch and this helps in increasing customer footfall. Bank staff directs all customers with transactions of less than INR10,000 to transact at the CSP. As a result, the CSP is guaranteed of a high customer footfall without having to market itself. Sudheshwar has built up a good rapport with the manager and staff of the local link branch. His CSP thus receives greater levels of support from the branch.

Social standing in the community

Sudeshwar is among the more influential people in his village. People respect him and he is seen as an opinion leader. His staff is local residents and are well known, especially among the young people of the area.

Sudeshwar feels that there needs to be a wider product offering to the customers of the CSP. This will help in increasing customers as well as enable the BC model to become more successful and also establish itself as a valid financial channel.

8.7 AHSAN ABIDIN, BHAMRUPUR, SAMASTIPUR – FINO

AGENT PROFILE

Ahsan Abidin, a native of Bhamrupur village in Bihar's Samastipur district has been associated with FINO since 2012. Working as a Business Correspondent Agent for Oriental Bank of Commerce (OBC), the twenty two year old Ahsan is also involved in selling Bajaj Alliance Insurance. He lives with his parents who are known mason contractors in Bhamrupur area. Ahsan, after completing his graduation in 2011, started working with FINO.

Ahsan has opened more than 700 accounts in two villages of Bhamrupur and Harpurlalod in Samastipur District. Before Ahsan joined FINO as an agent, earlier agent had opened 500 accounts in the area. This renders the total accounts opened to 1,200. Of these 200-300 are actively used.



40% of Ahsan's clients are female. Of all the accounts opened, only 25% are actively used by customers

CUSTOMER PROFILE INCLUDING GENDER DISAGGREGATED DATA

Of the 150 households in his village, around 60% have a steady source of income from masonry, 35% from agriculture and allied activities, 10% from businesses and around 5% from services. Ahsan also provides Business Facilitator (BF) services for Oriental Bank of Commerce. Ahsan operates his POS machine on offline mode. His transaction limit is INR 2,500, after which he needs to settle his machine and deposit excess balance at the link bank branch.

AGENT'S OPERATIONAL STRATEGY

1. Day to day functioning

Ahsan starts his day at 6 in the morning and is available for facilitating transactions till 10 in the evening. He mentions that maximum transaction happen between 4PM to 8PM. Ahsan visits all his customers and makes it a point to spend few minutes with each of them, enquiring about their needs.

He commutes by his personal two-wheeler and services around 30 customers per day. In the two villages allocated to him, he has three marked central points where he holds meetings regularly to appraise customers about his offerings. Ahsan relies completely on word-of-mouth marketing to enhance his customer base. In the last two years, he has never declined any transaction even at late hours.

In the evening he settles the cash from CSP activities and visits the bank branch to deposit excess cash. During the days when there are high number of transactions, such as festive season, Ahsan sometimes settles his POS machine twice to facilitate withdrawals worth more than INR 2,500. In such instances, he visits the bank branch twice or Block Coordinator (BC) collects cash and deposits at the bank on his behalf.

Few accounts opened by Ahsan’s predecessor in 2010 have turned dysfunctional. Even after Ahsan’s consistent follow up with the Block Coordinator (BC), he has not been able to resolve the same. Ahsan also mentioned that he wishes to switch to online mode of operations and has already submitted a formal request to FINO for this.

2. Innovative ways to increase footfall

Ahsan leveraged his relationship with link bank branch staff who in-turn educated customers about Ahsan’s ability to facilitate financial transactions and open BSBD account. Bank staff’s support went a long way in marketing CSP and increasing his customer case.

3. Strategies for mitigating operational risk

Ahsan plans to increase his transaction limit to INR 7,000 to avoid frequent service denials to customers. At present this is the daily demand he experiences, a rise of 180% from his existing daily transaction limit.

TRANSACTION PROFILE AND SEASONALITY

Operational Details

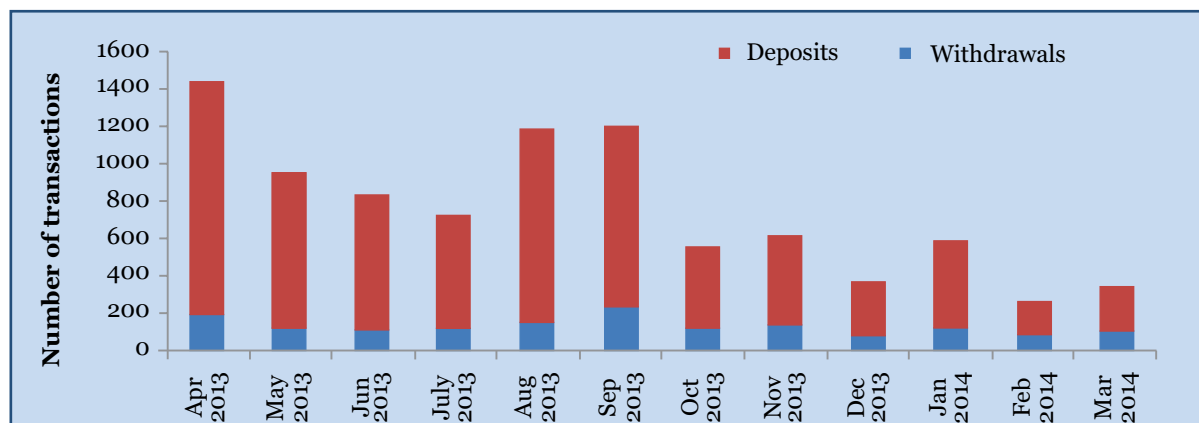
Average number of daily transactions	30
Number of deposit to withdrawal transaction ratio	4.6
Average deposit amount	INR100
Average withdrawal amount	INR1000

Ahsan is among the top agents of FINO in Bihar. On an average, he facilitates 30 transactions per day. Number of Deposit transactions at his counter is around five times higher than number of withdrawal transactions.

Ahsan’s CSP point sees more deposit transaction than withdrawals. This average deposit amount of INR 100 is much lesser compared to average withdrawal amount of INR1000. In last twelve months, Ahsan has done a total of 8919 transactions. Out of these, 17% were withdrawals while remaining 83% were deposits.

Ahsan’s CSP point sees more deposit transaction than withdrawals. This average deposit amount of

Graph 13: Monthly volume of deposit and withdrawal transactions



Ahsan highlighted that the seasonal variation observed in number of withdrawal and deposit transactions is mostly a function of his motivation levels towards BC business. Months where he is more actively involved with BC business witness higher levels of transactions compared to others.

MONTHLY SUMMARISED FINANCIAL STATEMENTS

Ahsan made an investment of INR 5,000 to start his CSP. Of the total deposit amount, INR2,500 was deposited with OBC as security against which Ahsan can transact using POS.

For every successful transaction, Ahsan receives INR0.50 from FINO. Apart from these activities, he is also engaged by the link bank branch to support in BF activities. He assists in enrolling new clients, opening recurring deposits, preparing demand drafts and loan recovery. For every new account he receives INR6 for account opening and INR2 for account activation. He also makes an excess income of 4% to 10% on the loan amount recovered and 0.25% to 1% on recurring deposits.

On an average, Ahsan makes INR2,000 per month, majority of which is the fixed monthly salary provided by OBC

Income	Amount (INR)	Expenses	Amount (INR)
Fixed monthly income	1,000	Fuel	300
Average monthly income from cash in and cash out	400	Mobile	100
Other BF activities	1,000		
Total	2,400	Total	400
Net income			2000

ASSESSMENT OF CLIENT PROTECTION PRACTICES

Ahsan is concerned about the safety and security of his customer's money. He stated that after several requests with OBC, he has not received any board or flex to highlight his association with OBC as a business correspondent.

Ahsan ensures that for every successful customer transaction, a printed receipt is generated by the system and handed over to the customer. He also maintains a diary of all his daily transaction so that at the end of the month he can match his closing balance and commission earned.



IN CONCLUSION

Ahsan has been performing well for FINO in Bihar. The following qualities and critical decisions have helped him earn customer's trust:

Entrepreneur at heart

Ahsan started earning and living out of his pocket since his college days. He used to sell insurance policies to make his ends meet during his college days. He has maintained the same spirit and rigour while conducting Business Correspondent operations for FINO.

Strong work ethics

Ahsan starts his operations at 6 in the morning and is available to facilitate transactions till 10 in the night. This strong work ethic and dedication to serve his clients has helped him in becoming top CSP performer for FINO in Bihar.

Relationship with link bank branch

Ahsan offers additional support services such as demand draft preparation, recurring deposit facility and loan recovery as banks business facilitator. This is possible due to the relationship and trust established with the link branch. These activities enable him to remain in constant touch with his clients even if they are not transacting.

8.8 AVINASHRANJAN, RANI SAKARPURA, KHAGARIA – FINO

AGENT PROFILE

Avinash Ranjan, a native of Rani Sakarpura Panchayat in Bihar's Khagaria district has been associated with FINO since January 2012. Working as a Business Correspondent Agent for Canara Bank, the thirty eight year old Avinash is also involved in agriculture and lives in a joint family with his elder brother.

Avinash, an inter pass by qualification, has opened more than 1,200 accounts in four allocated villages catering to petty business owners, family members of migrant labours and farming community. Of all the accounts opened, 80% are active.



CUSTOMER PROFILE INCLUDING GENDER DISAGGREGATED DATA

Agriculture is the primary occupation in Rani Sakarpura and other nearby villages, and majority of the 1,500 households are involved in farming. He mentioned that male members from many families have left the village in search of better employment opportunities.

75% of Avinash's clients are female .He also acts as a Super-agent managing liquidity of ten other FINO BC agents.

Avinash operates his POS machine on online mode. He offers Cash in-Cash out services to his customers. Avinash not only services his clients, but also assists in cash management of ten other agents of FINO in nearby villages. He is officially called a Super CSP and earns excess income for this added responsibility. His transaction limit is INR16,000, after which he needs to settle his machine and deposit excess balance at the link bank branch.

AGENT'S OPERATIONAL STRATEGY

1. Day to day functioning

Avinash is committed to provide door step delivery of banking services and works for 12 hours, six days a week to achieve it. He starts his day at 8 in the morning and visits villages based on the day's predefined beat plan. In order to service all his customers, he drives from one end of the village visiting every enrolled household.

Avinash ensures that he visits each of his four allocated village's at least twice in a week. These villages fall in the range of 5 km radius and he rides on his motorbike to facilitate transactions. In order to establish a network of clients interested in business correspondent services, Avinash used to take support from his friends to mobilize potential customers. He recollects calling his friends during his initial days of his BC operations, and requesting them to inform customers of his visit a day in advance.

Avinash remains on field for four hours in the morning and is generally available at his residence after noon. On an average, he facilitates 20-30 transactions per day, which can go up to 40 transactions during festive seasons. In the evening, before the bank branch closes, he settles the cash and visits the bank branch to deposit excess cash. During the days when number of transactions is high, such as festive seasons, Avinash sometimes settles his POS machine twice to facilitate withdrawals worth more than INR 16,000. In such instances, he visits the bank branch twice or Block Coordinator (BC) collects cash and deposits at the bank on his behalf.

Avinash was promised an extra monthly reimbursement of INR 400 for mobile and petrol charges upon becoming a Super CSP of FINO. It has been more than 13 months but no such reimbursement has been made. He also highlighted that his May 2013 and June 2013 earnings are still pending on account of unauthorised transactions. These are becoming a serious source of demotivation.

2. Innovative ways to increase footfall

Avinash has used wall painting to attract customers for CSP business. He has a wall painting at his residence which highlights his status as an agent with Canara bank and FINO. He also has his name and contact details mentioned there.



3. Strategies for mitigating operational risk

Avinash has invested INR25,000 in the business to obtain a higher transaction limit of INR16,000. He has also accepted to be a super-agent in his area, assisting neighbouring CSPs in liquidity management. This was with the intent to increase the return from his CSP and make it more sustainable.

TRANSACTION PROFILE AND SEASONALITY

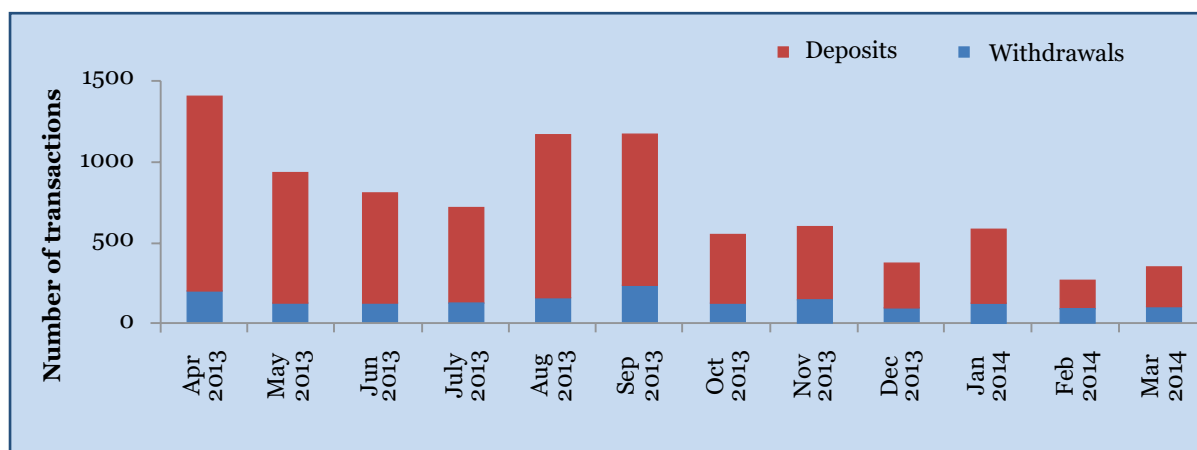
Avinash is among the top agents of FINO in Bihar. On an average, he facilitates 20 to 30 transactions per day. Number of deposit transaction is around six times higher than number of withdrawal transactions.

Avinash's CSP point sees more deposit transactions than withdrawals. Average deposit amount is INR100 while the average withdrawal amount is INR1000. Customers generally deposit smaller amount and then withdraw once a bulk amount is deposited with the agent. From April 2013 - December 2013 to January 2014 - March 2014 there is an impressive jump of 20% in volume of transactions.

Operational Details

Average number of daily transactions	20 - 30
Number of deposit to withdrawal transaction ratio	5.6
Average deposit amount	INR100
Average withdrawal amount	INR1000

Graph 14: Monthly volume of deposit and withdrawal transactions



The seasonal variation observed in number of withdrawal and deposit transactions is dependent on Avinash’s motivation towards BC business during that time of the year.

MONTHLY SUMMARISED FINANCIAL STATEMENTS

Avinash made an investment of INR25,000 to start his CSP. Of the total deposit amount, INR16,000 was deposited with Canara Bank as security against which Avinash can transact using POS. He was provided a handset and certified training using the remaining INR9,000.

On an average, Avinash makes INR 1,200 per month, majority of which is the fixed monthly salary provided by Canara Bank.

Income	Amount (INR)	Expenses	Amount (INR)
Fixed monthly income	1,000	Fuel	600
Average monthly income from cash in and cash out	1,000	Mobile	200
Total	2,000	Total	800
Net income		1200	

ASSESSMENT OF CLIENT PROTECTION PRACTICES

Avinash is concerned about the safety and security of his customer’s money. He has a wall print outside his residence to guide potential customers to his residence. Avinash ensures that for every successful customer transaction, a printed receipt is generated by the system and handed over to the customer.



Avinash maintains a log of daily transactions so that at the end of the month he can match his closing balance and commission earned. With the number of transaction gradually increasing, it is getting tougher for him to manually maintain transaction records.

IN CONCLUSION

Avinash is considered as an opinion leader in his locality. People look up to him and trust him. Certain external factors such as closing down of fly by night operators also contributed in expanding his business. To sum up, following qualities and critical decisions have helped him earn customer's trust:

Commitment to serve

Avinash is committed to serve his customers. Since majority of them are daily wage earners, he strives to be accessible, efficient and quick to serve their saving needs.

Diversified customer portfolio

Avinash has a diversified customer base constituting farmers, migrant labours and small businessman. This ensures that he has a transacting customer base throughout the year.

Closing down of fly by night operators

Many of the private fly by night financial services firms of dubious nature such as Prayag, Rosevalley and RCM have closed down their operations in this area. This has provided the necessary impetus in improving Avinash's business. When he started his business, this resulted in reduced trust by customers. But over the period of time he has garnered their trust.

With further support around diversified product offerings and other technical challenges, Avinash sees immense growth potential in his business.

Avinash would like to diversify his product offerings as there is a potential market for other financial services.

8.9 KANHAIYA YADAV, GAURIPUR, BANKA – FINO

AGENT PROFILE

Kanhaiya Yadav, a resident of Gauripur Panchayat in Bihar's Banka district has been associated with FINO since May 2013. Working as a Business Correspondent Agent for Oriental Bank of Commerce (OBC), the twenty nine year old Kanhaiya also owns a brick kiln and works for artificial insemination in Banka. He is a well-known person in the Panchayat as he has worked with Sudha Milk Cooperative and Bajaj Alliance Insurance in the past.

Kanhaiya, an inter pass by qualification, has opened more than 900 accounts in the seven villages he caters to. Of all the account, only 250 are currently active



Kanhaiya is the only financial service provider to 150 households in Gauripur, Banka. 60% of his customer base is male.

CUSTOMER PROFILE INCLUDING GENDER DISAGGREGATED DATA

Agriculture is the primary occupation in Gauripur and other nearby villages. Villagers grow wheat and paddy on their own fields, or are employed as daily wage labourers on other farms. Kanhaiya mentioned that around 10% of the households' male members have migrated to other states for employment opportunities. This migrated section of the community remits money back home.

Kanhaiya operates his POS machine on an offline mode due to network and connectivity issues in his Panchayat. OBC's link bank branch is around 11 km away from his village. He offers only Cash in Cash out services and insurance to his customers. His transaction limit is INR 7,500, after which he needs to settle his machine and deposit excess balance at the link bank branch

AGENT'S OPERATIONAL STRATEGY

1. Day to day functioning

Kanhaiya starts his day at 7 in the morning and is available for facilitating transactions till 8 in the evening. For the first two hours he drives to two of the allocated villages and assists transactions before people head to fields for work. Due to unavailability of customers in the afternoon, he dedicates his afternoon to his other businesses and is generally not available to conduct FINO transactions.

Kanhaiya ensures that he visits each of his seven allocated village's atleast twice in a week. All the seven villages allocated to him fall in the range of 1 km radius of his residence and he can cover 4 of them at a stretch, within 35 to 40 minutes. This ensures that Kanhaiya is readily available to provide service at customers doorstep as and when requested by the customer over call. On an average, he facilitates 40-50 transactions per day.

In order to settle his POS machine, Kanhaiya has to step out and visit the nearest telephone tower for network connectivity. In the evening he settles the cash collected from CSP activities and visits the bank branch to deposit excess cash. During high transaction days, such as festive season, Kanhaiya sometimes settles the POS machine twice to facilitate withdrawals worth more than INR 7,500. In such instances, he visits the bank branch twice or Block Coordinator (BC) collects cash and deposits at the bank on his behalf. Kanhaiya mentioned that delays associated with smartcard delivery are frequent and results in inactive customers who might otherwise be interested in the product.

2. Innovative ways to increase footfall

Kanhaiya’s prior experience with financial products assisted him in garnering the essential trust needed to pull the customers towards his CSP. He has used word-of-mouth publicity to increase his customer reach.

3. Strategies for mitigating operational risk

Kanhaiya has invested INR15,000 in the business and plan to increase this by another INR10,000 to avoid service denials to customers.

TRANSACTION PROFILE AND SEASONALITY

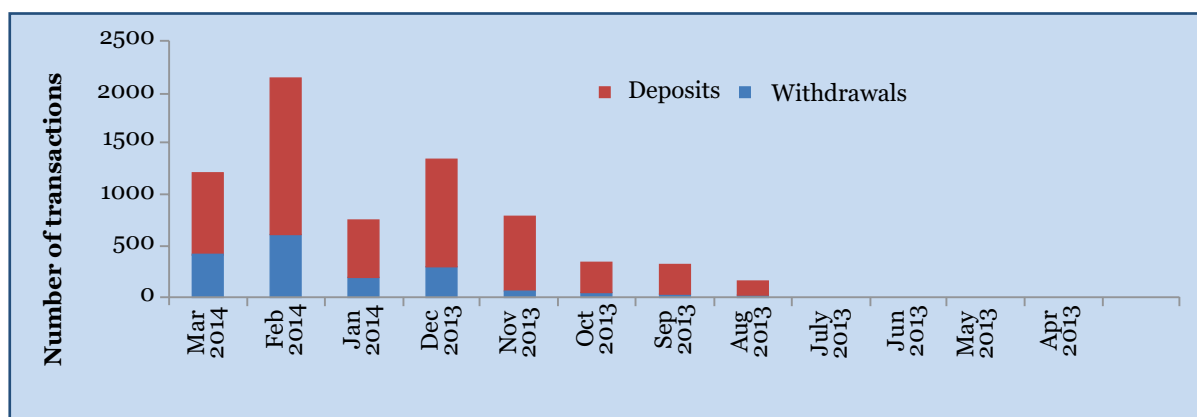
Kanhaiya is among the top agents of FINO in Bihar. On an average, he facilitates 40 to 50 transactions per day. Number of Deposit transactions at his counter is around five times higher than number of withdrawal transactions.

Kanhaiya’s CSP point sees more deposit transaction than withdrawals. The average deposit amount of INR11-20, which is much lesser compared to average withdrawal amount of INR100. As the service is new to Kanhaiya’s allocated villages, customers tend to save smaller amounts for a few weeks and then withdraw a larger amount. This has changed over the period and now more and more people are interested in transacting at CSP.

Operational Details

Average number of daily transactions	40 - 50
Number of deposit to withdrawal transaction ratio	4.9
Average deposit amount	INR11-20
Average withdrawal amount	INR100

Graph 15: Monthly volume of deposit and withdrawal transactions



Kanhaiya highlighted that the seasonal variation observed in number of withdrawal and deposit transactions is mostly a function of his motivation levels. Months where he is more actively involved with BC business witness higher levels of transactions compared to others.

MONTHLY SUMMARISED FINANCIAL STATEMENTS

Kanhaiya made an investment of INR15,000 to start his CSP. Of the total deposit amount, INR7,500 was deposited with Oriental Bank of Commerce as security against which Kanhaiya can transact using the POS. He was provided a handset and training using the remaining INR7,500.

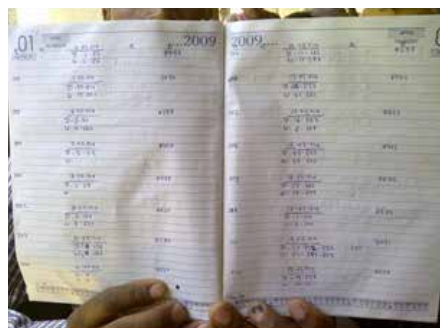
On an average, Kanhaiya makes INR2,750 per month, majority of which is the fixed monthly salary provided by OBC.

Income	Amount (INR)	Expenses	Amount (INR)
Fixed monthly income	2,500	Fuel	250
Average monthly income from cash in and cash out	5,00	Mobile	-
Total	3,000	Total	250
Net income		2,750	

ASSESSMENT OF CLIENT PROTECTION PRACTICES

Kanhaiya understands the importance of the security of client's money and the importance of maintaining customer's trust. He stated that after several requests with OBC, he still has not received any board or flex to highlight his association with OBC as a business correspondent.

Kanhaiya ensures that for every successful transaction that a customer does, a printed receipt is generated by the system and handed over to the customer.



He also maintains a diary of all his daily transaction so that at the end of the month he can match his closing balance and commission earned.

IN CONCLUSION

Kanhaiya mentions that since he has started operations, the banking habits of villagers have changed for the better. Initially people were reluctant to trust him with their hard earned money, but now, he is approached by villagers interested in getting their accounts opened. Following qualities and critical decisions have helped him earn customer's trust:

Experience with financial products

Kanhaiya has had the experience of selling Bajaj Alliance insurance. He built a network of customers while he was involved in insurance business. This helped him gain significant customer base within his first year of operations.

Public relations and trust among villagers

Kanhaiya is among the more influential people in his panchayat who fellow villagers trust and consult in times of financial decision making. He is seen as evolving into an opinion leader within his Panchayat. He appreciates the social responsibility that comes hand-in-hand with this stature. The commitment Kanhaiya showcases towards BC business stems from the pleasure he derives from mass public admiration.

8.10 BIRESH KUMAR, JUNIAR, NALANDA – CDOT

AGENT PROFILE

Biresh Kumar, a resident of Juniar in Bihar's Nalanda district has been associated with the Centre for Development Oriented Training (CDOT) since June 2012. Working as a Business Correspondent Agent for Allahabad bank, 31 year old Biresh has significant political ambitions and sees the CSP as a method of developing a positive reputation in the community. Having studied till the intermediate level, he has several other business interests which include a pulse mill and also works as a contractor. His reputation in the village is that of a young opinion leader and he is also engaged with the Gram Pradhan in supervising activities under the Mahatma Gandhi National Rural Employment Guarantee Scheme.

Operating from his home in Juniar, Biresh does not have any staff assisting him and does not feel that the level of activity at the CSP justifies the hiring of separate staff.

Biresh opened his CSP in June 2012 and spent the initial few months promoting his CSP by speaking to fellow villagers and to local opinion leaders. He spent a considerable amount of time opening accounts but was not able to start transactions for over a year. He says this was because he was not allowed to start transactions by CDOT until he had reached a certain mass of customers as well as certain operational issues most notably, the delay in receiving the smart cards for the customers. This delay has led to erosion of trust among the local populace who still feel that his CSP is not a legitimate banking channel. He has often engaged with bank officials about these issues but feels that there has been no improvement.



50% of Biresh's customers are women and these customers are primarily responsible for word of mouth awareness about his CSP.

CUSTOMER PROFILE INCLUDING GENDER DISAGGREGATED DATA

In Juniar, the majority of the populace is engaged in daily wage labour activities and in agriculture. Owing to lack of employment opportunities nearby, a sizeable portion of the young men in the village have migrated to other cities and towns in Bihar to seek employment. This has led to a large amount of remittances that flow into the village.

Biresh currently offers his customers deposit and withdrawal facilities. A number of other services are in the pipeline and Biresh feels that once these new services are offered to his customer base, business will pick up considerably. He still focuses on account opening but acknowledges that it is because of his standing in the community that potential customers open their accounts at his CSP. They still do not feel that the CSP offers much value as a financial services provider and are unwilling to transact at the CSP.

AGENT'S OPERATIONAL STRATEGY

1. Day to day functioning

Biresh starts his day at 8 in the morning, scheduling work for his mill and giving instructions to his employees. After this, he takes stock of his contracting business, making payments and having discussions with various partners and employees. He formally opens his CSP counter for business at 10, though mentions that he is available to transact at any time of the day or night

During a typical day, footfall is intermittent and he tends to his other business interests, obliging the few customers that do come in. He mentions that on an average day he attends 10 or 12 customers. However, during certain times of the year, such as when MGNREGS wages are paid or during festive occasions, his CSP sees increased business. It is during these periods that his CSP remains active from early morning to late in the evening. As his limit for transactions is only INR10,000, once he reaches this limit he has to close his CSP and visit the local link branch which is more than 12 kilometres away to rebalance liquidity. In his usual day-to-day operations, there are very rare occasions on which he has to visit the bank branch more than once a day.

Biresh spends some time during the day distributing smart cards for the accounts that he has opened earlier. He mentions that there is sometimes customers are no longer interested in receiving the smart cards because of the delay.

2. Innovative ways to increase footfall

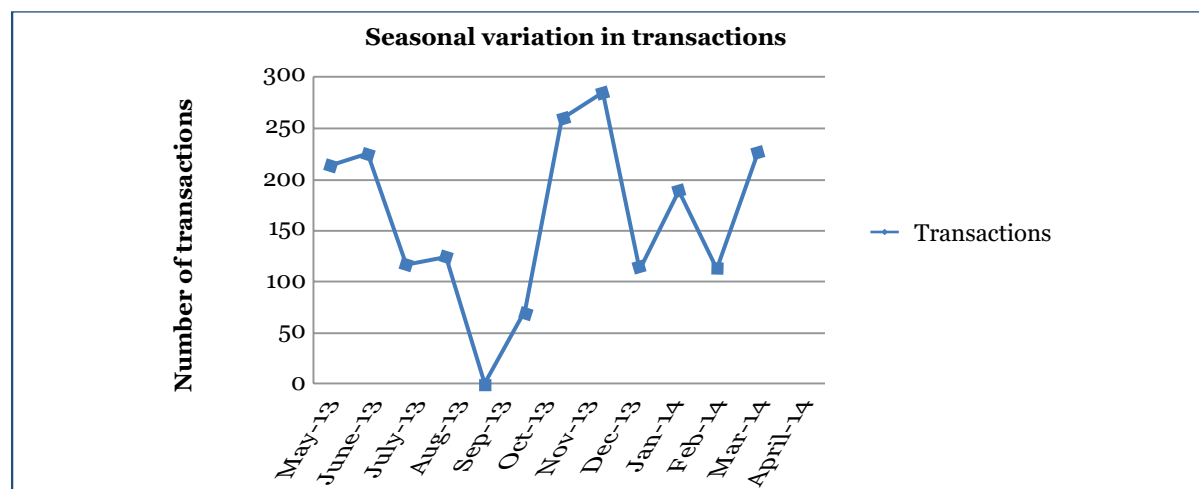
In order to increase footfall at the CSP, he has installed a photocopy machine. This attracts mostly young people to his CSP who come to him to photocopy various documents. He tries to convince these customers to also use the CSP for their banking transactions as well as suggesting to them that they get their family members to open accounts and start transacting at his CSP.

Biresh engages actively with young people who visit his CSP to use the photocopying services that he offers. He says that this particular customer segment is the most vocal and open to new technology. They help in changing the mind-set of their parents and other elders, helping them embrace the services offered by the CSP.

TRANSACTION PROFILE AND SEASONALITY

CDOT's BCAs have only recently started transacting and were till now more focused on opening accounts. The variation in the transactions at Biresh's CSP is presented below.

Graph 16: Seasonal variation in transactions



Transaction profile

Number of accounts opened	1,363
Maximum amount of transaction done in a month	INR27,000
Average number of transactions daily (Transactions started in May 2013)	5
Percentage of female customers	50%

The hikes in November and in December are mostly due to the payment of MNREGA wages during this period. In September, Biresh was travelling and was more engaged in his other business interests, keeping his CSP closed for the entire month. Biresh maintains that his CSP is yet to start transacting actively and though initially villagers displayed significant interest in transacting at the CSP, once there

were delays in account openings and in the delivery of smart cards, their enthusiasm has worn off and there is very limited footfall at his CSP.

Since CDOT has an extremely low cost model for its BCAs, Biresh was not required to make significant investment in setting up his CSP. The entire hardware is provided by Genpact against a security deposit of INR10,000. This deposit also serves as an operational limit. However he has purchased a photo copy machine to drive footfall. Since his other business interests provide him with significant income, he is not interested in making money from the CSP but sees it as a conduit for building his social image.

Monthly Summarised Financial Statements

Agent Cost Structure (INR)	1,363
Security deposit to Genpact	10,000
Electricity	800
Furniture	9,000
Photocopier	12,000
Data card	200
Total	32,000

Apart from the security deposit to Genpact, which serves as his transaction limit, he has purchased a data card for internet connectivity and made some investment in furniture and fittings for the CSP. Biresh's capital expenditure details are presented above.

A summarised income and expenditure statement for Biresh's CSP is presented below:

Expenses	INR	Income	INR
Mobile phone	100	Average monthly commission	1,600
Internet charges	200		
Electricity	300		
Stationery	100		
Travel costs	400		
Total	1,100	Net Income	500

His recurring expenses are low and are for upkeep of the CSP's activities. After paying out INR1,100 as average monthly expenses, Biresh makes a profit of INR500 on an average every month.

ASSESSMENT OF CLIENT PROTECTION PRACTICES

Biresh understands the importance of the security of client's money and the importance of maintaining the trust of customers. He has taken a number of steps to ensure that the interest of his customers is protected.

Provides relevant contact details

He provides the contact numbers of both CDOT and the bank employees to his customers, though these are not displayed anywhere at his CSP, and the customers have to note them down. The customers can contact them in case of any query or complaint regarding the CSP. He maintains a transaction register in which he notes down the details of every transaction at his CSP for record keeping purposes.

Maintains a complaint register

Biresh also maintains a complaint register for any customer grievances. He feels that as a BCA, he cannot solve many of the issues that his customers may have and through the complaint register, he can bring the problems of his customers to the attention of staff from both the bank as well as CDOT.

Provides receipts for transactions

Biresh also ensures that for every successful transaction that a customer does, a printed receipt is generated by the system and is handed over to the customer. He also instructs customers that they should not leave the service counter without a receipt. He does not provide any manual receipt to the customers.

IN CONCLUSION

Biresh mentions that a number of people in his village already have access to formal banking channels, but sometimes use his CSP as his service is available around the clock. The nearest bank branch is about 14 kilometres away which also has an ATM in the same premises. Initially, it was difficult to convince his fellow villagers to open accounts at the CSP and to trust him with their money, but over time, he has gained some level of acceptance. The following qualities and service factors have helped him in running his CSP:

Customer focus

Biresh is available round the clock to his customers. He has mentioned that he feels that this facility of being able to transact at any time of the day or night, especially in times of emergency has made his customers realise the value of his services. In some cases Biresh also offers doorstep services if the customer is unable to visit his CSP in case of illness or any other infirmity. He has also opened his CSP late at night to help customers during emergencies.

Social standing in the community

Biresh belongs to an influential family in the village and the locals trust and respect him. This helps in handling irate customers when there are technical glitches or delays in receiving the smart cards.

Biresh is of the opinion that increasing the range of products for his customers will enable the CSP to become sustainable in future. Also, with his ambition of serving his community in a political position, Biresh feels that offering various services to villagers and their children will help him in the long run.

8.11 MANTU KUMAR, SHAHPUR, – CDOT

AGENT PROFILE

Mantu Kumar, a resident of Shahpur in Bihar's Jehanabad district has been associated with CDOT since October 2012. CDOT is part of a tri partite agreement between Allahabad Bank and a Technical Service Provider (TSP), Genpact and itself. Working as a Business Correspondent Agent for Allahabad bank, 32 year old Mantu is a prominent member of the community in the village and has taken up this activity to provide financial services to his fellow villagers. He enjoys high levels of trust and confidence amongst the members of his community. Born and brought up in Shahpur, Mantu sees the CSP as providing much needed financial services to his fellow villagers who do not have the means or the time to travel to the local branch very often.

Operating from his ancestral home in the village, Mantu works alone and does not have any staff assisting him. Apart from the CSP business, he has other family holdings which he is not deeply involved in, instead harbouring ambitions to someday be a part of the elected gram panchayat.

Mantu opened his CSP in June 2012 and spent the initial few months promoting his CSP by speaking to fellow villagers and to local opinion leaders. He spent a considerable amount of time opening accounts but was not able to start transactions for over a year. He says this was because he was not allowed to start transactions by CDOT until he had reached a certain mass of customers as well as certain operational issues most notably, the delay in receiving the smart cards for the customers.



60% of Mantu's clients are female and he gives special emphasis to customers from socially disadvantaged communities

CUSTOMER PROFILE INCLUDING GENDER DISAGGREGATED DATA

In Shahpur, the majority of the populace are engaged in agriculture and livestock rearing, or daily wage labour. There is also a significant part of the population, comprising mainly of young men, that has migrated to bigger towns in Bihar and to Uttar Pradesh. However, Mantu maintains that the amount of remittances received is still not very significant and is very seasonal.

Mantu offers his customers only deposit and withdrawal facilities and business is slow. He focuses on account opening but acknowledges that it is because of his standing in the community that potential customers open their accounts at his CSP. They still view the CSP with some trepidation and are hesitant to transact at the CSP.

AGENT'S OPERATIONAL STRATEGY

1. Day to day functioning

Mantu starts his day at 9 in the morning, opening his CSP for business. Footfall is usually low and he tends to other family business interests, obliging the few customers that do come in. He mentions that it is during certain times of the year, such as when MNREGA wages are paid that his CSP sees brisk business. It is during these periods that his CSP remains active from early morning to late in the evening. As his limit for transactions is only INR10,000, once he reaches this limit he has to close his CSP and visit the local link branch which is situated more than 16 kilometres away. In his day-to-day operations, there are very rare cases in which he has to visit the bank branch more than once a day.

There are usually three periods during a day when customers visit his CSP:

- First, as soon as he opens the CSP when people need money to make payments for the day.
- Second, during early afternoon when local women visit his CSP to withdraw money after finishing their household work. This customer segment is extremely important to him since most of the word of mouth marketing for his CSP happens through this customer segment.
- Third, late in the evening, when workers return from work and deposit their earnings from the day or withdraw money for other expenses.

Mantu also spends some time in a day distributing smart cards for the accounts that he has opened earlier. He mentions that sometimes there is a significant delay in receiving these smart cards and this also is a cause of lowered customer activity at his CSP.

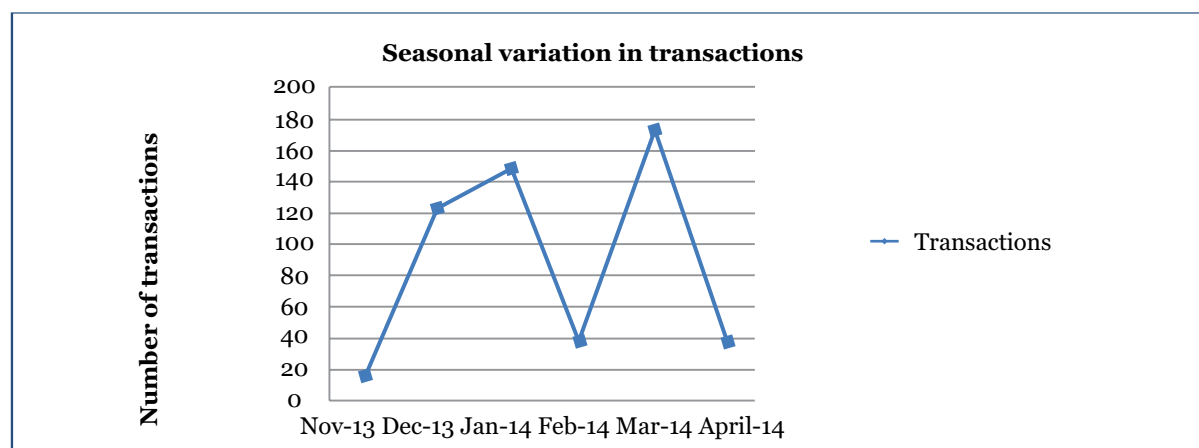
2. Innovative ways to increase footfall

Mantu reserves certain times of the day to reach out to customers who are socially disadvantaged and do not have much knowledge about the financial services available to them . He opens accounts for them and also tries to educate them about various financial services that they can access. He maintains that it is his duty as a representative of the bank to make sure that certain disadvantaged sections of the village are also able to access the financial services offered. This also leads to a larger customer base and increases footfall at his CSP.

TRANSACTION PROFILE AND SEASONALITY

CDOT's BCAs have recently started transacting and were focused on opening accounts. The variation in the transactions for Mantu's CSP is presented below:

Graph 17: Seasonal variation in transactions



The hikes in January and in March are due to the payment of MNREGA wages during this period. Mantu maintains that his CSP is yet to start transacting actively and that his customers do not see the CSP as a part of their daily lives, but as a last resort when there is no access to the bank.

Transaction profile

Number of accounts opened	731
Maximum volume of transaction done in a month	INR14,000
Average number of transactions daily (Transactions have started in November 2013)	3
Percentage of female customers	60%

MONTHLY SUMMARISED FINANCIAL STATEMENTS

BCA Cost Structure (INR)

Security deposit to Genpact	10,000
Furniture	2,000
Electrical appliances	1,000
Data card	600
Total	13,600

Since CDOT has a low cost model for its BCAs, Mantu has not had to make significant investment in setting up his CSP. The hardware is provided by Genpact against a security deposit of INR10,000. This deposit also serves as an operational limit.

He has purchased a data card for internet connectivity and made some investment in furniture and fittings for the CSP. Mantu's capital expenditure details are presented here.

A summarised income and expenditure statement for Mantu's CSP is presented below:

Expenses	INR	Income	INR
Mobile phone	150	Average monthly commission	1,500
Internet charges	200		
Electricity	100		
Stationery	200		
Travel costs	300		
Total	950	Net Income	550

His recurring expenses are low and are for upkeep of the CSP's activities. After paying out INR950 as average monthly expenses, Mantu makes a profit of INR550 on an average every month.

ASSESSMENT OF CLIENT PROTECTION PRACTICES

Mantu understands the importance of the security of client's money and the importance of maintaining the trust of customers. He has taken a number of steps to ensure that the interest of his customers is protected.

Provides relevant contact details

He provides the contact numbers of both CDOT and the bank employees to his customers, though these are not displayed anywhere at his CSP. The customers can contact them in case of any query or complaint regarding the CSP. He maintains a transaction register in which he notes down the details of every transaction at his CSP for record keeping purposes.



Maintains a complaint register

Mantu also maintains a complaint register for any customer grievances. He feels that as a BCA, he cannot solve many of the issues that his customers may have and through the complaint register, he can bring the problems of his customers to the attention of staff from both the bank as well as CDOT.

Provides receipts for transactions

Mantu also ensures that for every successful transaction that a customer does, a printed receipt is generated by the system and is handed over to the customer. He also instructs customers that they should not leave the service counter without a receipt. He does not provide any manual receipt to the customers.

IN CONCLUSION

Mantu's CSP has not seen significant business, but it is an important institution in the village. There are certain qualities that he possesses that have enabled him to provide better services to his fellow villagers. These are mentioned below:

Focus on disadvantaged sections of the community

Mantu has made it a point to service certain disadvantaged sections of his community. He advises and instructs them on the benefits of having a formal bank account and using the CSP for their financial needs. He also sets aside a certain amount of time to open accounts for them and guides them through the transactions, especially when they receive government payments.

Social standing in the community

Mantu belongs to an influential family in the village and the locals trust and respect him. This helps in handling irate customers when there are technical glitches or a delay in receiving the smart cards.

Public relations

Mantu is among the more influential people in his village and people respect him and he is seen as an opinion leader. He sees the CSP as a method of gathering substantial social mileage which may hold him in good stead later as he has political ambitions as well.

Mantu is of the opinion that his CSP can become a focal centre for the local community. For this to happen though, he needs a larger product offering as well as increased support from the bank staff. These are the two major factors that he feels will enable his CSP to perform better and become sustainable in the long run.

SECTION 9: ANNEXURES

9.1 MODEL ATTRIBUTE DESCRIPTION

Attribute	Description
Agent Mobility	The BCs may be stationary as in a kiosk based model or may be mobile using POS machines and/or mobile technology
Agent Commission	The CSP may have a commission structure that is variable and entirely dependent on the amount of transactions he/she does or may include a fixed component as well
Agent Selection Process	The individual CSP may approach the BCNM or bank to become an agent and from prior anecdotal evidence these agents seem to have a longer relationship with the BCNM. In the other case, the BCNM may source agents which it feels may be able to drive its FI agenda.
Agent On-boarding	In cases where the CSP finances him/herself, the CSP provides security against which he/she is given a working limit to carry out transactions. A POS machine and other hardware are provided to the CSP for which EMIs are charged to him/her and the ownership of the hardware is transferred. Where BCNM finances the CSP, the CSP is given a working limit against a security deposit but does not have to pay for the hardware provided to him/her by the BCNM and remains with him/her as long as he is associated with the BCNM. Finally, the process may be directly bank financed wherein the bank itself gives a limit to the CSP again based on a guarantee given by him/her.
Agent Domicile	The CSP may be a direct resident of the area he is serving or may be an outsider who is trained and stationed in a particular area of operation
Scope of Services	This may include services provided only as a BC, or in some cases BF services may also be offered in addition to BC services. The BC may also offer other non FI third party services such as mobile recharges, ticketing etc.
Interaction with Device	Indicates the mode in which the customer would interact with the device, and this may be smart card based or card less
Mode of Transaction	The individual transactions done by the CSP may be online and real time
Hardware Support	BCs may use a POS device using GPRS technology, a mobile device which may run on USSD or a PC using GPRS, broadband or data card for connectivity
Authentication Mechanism Employed	Which may be biometric or pin based
Relationship with Bank	The CSP may be directly appointed by the bank or may be appointed and managed by the BCNM
Liquidity Management	A line of credit may be given to the individual CSP against a bank overdraft

9.2: COMPARATIVE ANALYSIS OF 11 BCNMS STUDIED

BCNM model attribute	SAVE	Sanjivani	FINO	SreiSahaj	ZMF	EKO	Sparrow	CDOT	BBD	Glodyne	Basix
Agent Network	Mobility	Stationary	Mobile	Mobile	Mobile	Stationary	Mobile	Stationary	Mobile	Mobile	Sub-k
	Commission	Variable	Slab-wise fixed with variable component	Slab wise fixed	Variable	Variable	Fixed with variable component	Fixed with variable component	Slab-wise fixed	Fixed	Stationary and mobile
	Hardware Ownership	CSP owned	BCNM owned (Security deposit by CSP)	BCNM owned (Security deposit by CSP)	CSP owned	No external hardware required (Security deposit by CSP)	BCNM owned (Security deposit by CSP)	BOI – CSP owned; Others – BCNM owned	BCNM owned (No CSP security deposit)	BCNM owned (No CSP security deposit)	Slab-wise fixed with variable component
Technology	Scope of Services	BC and BF	BC and BF	BC and BF	BC and BF	BC and Third party services	BC (e-Shakti with Central Bank of India in Bihar)	BC and BF	BC and BF	BC and BF	BCNM owned (No CSP security deposit)
	Interaction with Device	Card less	Smart card	Smart card	Mobile phone with biometric authentication device	Card less	Smart card	Smart card/ card less (Bank dependent)	Smart card	Contact less smart card (RFID)	BC and BF
	Mode of Transaction	Online and real time	Online and real time	Online and real time	Online and real time	Online and real time	Online and real time	Online and real time with offline feature	Online and real time with offline feature	Online and real time with offline feature	Card less
Process	Hardware Support	Kiosk using broadband	POS using GPRS	POS using GPRS	Mobile using GPRS	Mobile using USSD	POS using GPRS	POS using GPRS /Kiosk using Broadband	POS using GPRS	POS using GPRSs	Mobile using GPRS
	Authentication Mechanism Employed	Biometric	Biometric	Biometric	Biometric	PIN based	Biometric	Biometric	Biometric	Biometric	Both biometric and PIN
Support from Banks	Liquidity Management	CSP managed	CSP managed	OD against FD	CSP managed	Super agent	CSP managed	CSP managed	OD against FD	OD against FD	CSP managed
	Marketing Support	No support	Marketing Collateral and involvement in activities	Marketing tangibles and support in activities	Marketing tangibles and support in activities	Only marketing collateral	Only marketing collateral	Only marketing collateral	Marketing collateral and support in activities	No support	Marketing collateral and support in activities

From all the BCNMs present in Bihar, *MicroSave* interacted with stakeholder to identify 11 top performing BCNMs. The eleven BCNMs whose model, efficacy and reach were studied in detail are highlighted below²⁷:

1. SOCIETY FOR ADVANCEMENT OF VILLAGE ECONOMY (SAVE)

Partner banks in Bihar	State Bank of India, Bank Of India
Agent model	Kiosk based
Number of districts with presence	28 districts
Number of CSP's in Bihar	1200
Total accounts opened in Bihar	11,00,000
Percentage of active accounts	73%
Average number of transactions per day	72000 (4% customers per CSP transact per day on an average)
CSP profit share	80%:20% (CSP : SAVE)
In operation since	4 years
Products offered	BC+BF (Life Insurance, RD, and FD)

SAVE also has a presence in Andhra Pradesh, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Maharashtra, Sikkim and Uttar Pradesh. SAVE has been operating on a kiosk based model where in the agent owns the hardware/infrastructure required to set up a stationary “bank-like” centre to service customers.

The agents are paid variable salaries based on the number of accounts opened and the number of transactions done by them. Their model operates on a real time basis and the agent on an average makes Rs.12,000 per month. Due to such high earning averages, attrition of existing agents is not a significant problem. However lately there has been a delay in payment of commissions because of delay from the partner bank.

Apart from account opening and facilitating transactions, agents also provide services such as life insurance, micro insurance, recurring deposits and fixed deposits. SAVE also has a dedicated helpline for its CSPs as well as a grievance redressal mechanism for its customers.

2. SANJIVANI VIKAS FOUNDATION

Partner banks in Bihar	SBI, PNB, MBGB and the BiharGramin Bank.
Agent model	Kiosk based
Number of districts with presence	22 districts
Number of CSP's in Bihar	1200
Total accounts opened in Bihar	6,00,000
Percentage of active accounts	90%
Average number of transactions per day	5000
CSP profit share	60%:40% (CSP : BCNM)
In operation since	Four years
Products offered	BC+ BF(limited)

²⁷The numbers presented are latest figures as shared by the organisations during the last week of February-2014

Sanjivani's agents who are associated with SBI are paid variable salaries based on transactional volume. However agents associated with PNB are paid a fixed salary along with a commission based variable component. The variable component depends on the number of accounts opened and transactions done. This model operates on an online real time basis and the agent makes Rs.10,000 on an average per month. Due to such high earning averages, the CSP attrition rate is not too high. But at times there are delays in payment of commissions to agents as banks do not pay on time to BCNMs.

Apart from account opening and facilitating transactions, the CSPs also provide limited Business Facilitator (BF) services. The lack of insurance solutions for CSPs, both in-transit and at agent location is one of the more notable deterrents in the growth of the organisation and of the sector.

Sanjivani has a dedicated helpline for its CSPs as well as a grievance redressal mechanism present for its customers.

3. C-DOT

Partner banks in Bihar	Bank of India, Allahabad Bank, UCO Bank
Agent model	Hybrid(Laptop, smartcard and biometric reader together)
Number of districts with presence	8 districts
Number of CSP's in Bihar	548
Total accounts opened in Bihar	3,00,000(approx.)
Percentage of active accounts	0% (focus still on account opening with minimal transactions)
Average number of transactions per day	1,000
CSP profit share	75%:25% (CSP : BCNM)
In operation since	3 years
Products offered	BC+ BF (focus so far has been just account opening)

C-Dot operates on the hybrid model. Depending on bank, agents are provided a POS machine with an inbuilt smart card reader as well as a laptop with technical support provided by Tata Consultancy Services. The transactions are conducted on real-time basis and HCL is the technology service provider. The agents are paid a fixed salary along with a variable component based on the number of transactions. BOI provides loans to the agents to purchase laptops and printers for their kiosks. Also, BOI provides transit insurance of upto Rs.50,000 to the CSPs but no claims have been recorded till date.

For transactions, agents avail an overdraft facility against a fixed deposit. The liquidity management and rebalancing of cash and float are managed by the agents themselves and they visit the link branches to deposit into and withdraw from their accounts.

C-DOT has a dedicated helpline for its CSPs as well as a dedicated grievance redressal mechanism for its customers.

4. BIHAR BUSINESS DIRECTORY (BBD)

Partner banks in Bihar	Madhya Bihar Grameen Bank (MBGB)
Agent model	POS machine
Number of districts with presence	3 districts
Number of CSP's in Bihar	115
Total accounts opened in Bihar	1,00,000
Percentage of active accounts	80%
Average number of transactions per day	1,000
CSP profit share	80%:20% (CSP : BCNM)
In operation since	3 years
Products offered	BC+BF

BBD is operational in three districts (Nalanda, Aurangabaad and Kemur) of Bihar and works with MBGB. MBGB has a contract with HCL technologies which has in turn contracted BBD to manage their BC operations. BBD has 115 agents spread across the three districts and each of these agents has been provided with a POS machine with GPRS connectivity. This POS machine works in an online as well as an offline mode. If the transactions are done in an offline mode, they are locally stored in the POS machines and sync with the server whenever the connectivity is restored.

The agents are paid a fixed salary. There is also a tiered commission structure for the agents and the amount range from Rs.1,000 to Rs.2,500. This amount depends on the number of accounts opened and transactions completed.

There is a delay in payment of commissions to the agents and a majority of them have only been partial commissions very recently after a prior delay of six months. The primary reason for this delay as cited by BBD is the delay in payments to them from the TSP.

5. ZERO MASS FOUNDATION (ZMF)

Partner banks in Bihar	State Bank of India
Agent model	Mobile phone + Biometric device + Printer
Number of districts with presence	9 districts
Number of CSP's in Bihar	540
Total accounts opened in Bihar	6,00,000
Percentage of active accounts	33%
Average number of transactions per day	5,000
CSP profit share	80%:20% (CSP : BCNM)
In operation since	5 years
Products offered	BC+BF (OD, RD and FD)

ZMF is a national level BC of SBI. It operates in nine districts of Bihar along with A Little World (ALW) (a group company), which is its TSP. ZMF requires its agents to purchase a mobile phone, a biometric recognition device and a printer to start operations. All transactions are conducted on a real time basis.. At the time of account opening the customers are allotted a Zero Serial Number (ZSN). This is a unique serial number to which the bank accounts are mapped. To transact, the customer needs to provide the ZSN and not the account number. At the back end, the account number is retrieved from the ZSN and the information is sent to the bank server for processing the transaction.

The agents are paid commissions depending on the number of accounts opened and the number of transactions done. An agent gets

- i. Rs.10 per account opened,
- ii. 0.25% of the amount deposited (with a minimum of Rs.1 and a maximum limit of Rs.6) and
- iii. 0.5% of the amount withdrawn (with a minimum of Re.1 and a maximum limit of Rs.12)

6. SREISAHAJ

Partner banks in Bihar	Bank of Baroda, Bank of India, State Bank of India, Punjab National Bank, and Central Bank of India
Agent model	Kiosk based
Number of districts with presence	27 districts
Number of CSP's in Bihar	450
Total accounts opened in Bihar	1,00,000
Percentage of active accounts	20%
Average number of transactions per day	800
CSP profit share	80%:20% (CSP : BCNM)
In operation since	2 years
Products offered	BC+BF

SreiSahaj has operations in 6 states – Uttar Pradesh, West Bengal, Tamil Nadu, Bihar, Orissa and Assam. It has a network of more than 20,000 CSPs (called Common service centers) across these 6 states. In Bihar ,SreiSahaj has financial inclusion mandates from five different banks . Until recently, its agents were using POS machines to open accounts and make transactions. Currently, there is a shift taking place, where the agents are being migrated to the kiosk model.

7. SPARROW

Partner banks in Bihar	Central Bank of India, Uttar Bihar Gramin Bank, Bank of India, and Bank of Baroda
Agent model	POS based
Number of districts with presence	20 districts
Number of CSP's in Bihar	2700
Total accounts opened in Bihar	8,00,000
Percentage of active accounts	63%
Average number of transactions per day	1,100
In operation since	3 years
Products offered	NFA, Deposit / Withdrawal. Manually facilitates RD and Overdraft.

Sparrow works with four banks in twenty districts of Bihar and its TSP is HCL technologies. Its agents mostly operate on an online and real-time POS model but in areas with no connectivity, they also operate on an offline and batch wise processing model. The agents are given a POS machine against which a security deposit is made at the link branch.

Services such as account opening, withdrawal and deposit are provided to customers. The agents also provide overdraft, recurring deposit and fixed deposit facilities with mutual agreement with local link branch without involving the TSP.

The agents are paid a salary which includes a fixed amount as well as a variable component. To transact, agents avail an overdraft facility against a fixed deposit. The liquidity management and rebalancing of cash and float are managed by the agents themselves and they visit the link branches to deposit into and withdraw from their accounts. Sparrow has a dedicated helpline for its CSPs as well as a dedicated grievance redressal team present for its customers.

8. GLODYNE

Partner banks in Bihar	Central Bank of India
Agent model	POS based
Number of districts with presence	15 districts
Number of CSP's in Bihar	870
Total accounts opened in Bihar	13,00,000
Percentage of active accounts	3%
Average number of transactions per day	1,200
CSP profit share	80%:20% (CSP : BCNM)
In operation since	5 years
Products offered	NFA, salary payments and govt. payments

Glodyne works solely with the Central Bank of India in Bihar and has a presence in fifteen districts. They have their in-house technology and the Sarlabh Global Foundation, which is a subsidiary, manages agent operations. Agents are provided with POS machines which work on Radio Frequency Identification (RFID) technology. The agents do not have to pay for the POS machines which are provided by the BCNM.

Account opening is facilitated through special account opening camps conducted by the BCNM and agents are not responsible for opening individual accounts. The agents are paid a fixed salary of Rs.1,500. For transacting, agents avail an overdraft facility against a security in the form of a fixed deposit. The liquidity management and rebalancing of cash and float are managed by the agents themselves and they visit the link branches to deposit into and withdraw from their accounts.

9. FINO

Partner banks in Bihar	Axis Bank, ICICI Bank, Canara Bank, Oriental Bank of India, Syndicate Bank, and Union Bank of India
Agent model	POS based
Number of districts with presence	34 districts
Number of CSP's in Bihar	900
Total accounts opened in Bihar	9,00,000
Percentage of active accounts	34%
Average number of transactions per day	4500
CSP profit share	80%:20% (CSP : BCNM)
In operation since	3.5 years
Products offered	NFA, Deposit/Withdrawal, Micro Insurance, Overdraft, Remittance and loan

FINO works with six banks and is present in thirty four districts of Bihar. It has been operational in the state for over three years. It uses POS based technology to operate and is not as capital intensive as the kiosk model. It is important to note that FINO has a pan-India presence as well and works in 24 states across the country. Its agents have to deposit a security amount equivalent to the cost of the POS device which is provided by FINO. The agents do not have to make any other additional investments.

The agents' salaries include a fixed sum as well as a variable component which is based on the number of accounts opened and the number of transactions. This model operates on an online real time basis and the agent can make an average of Rs.10,000 when new accounts are opened and operated.

Apart from account opening and facilitating transactions, the agents also provide micro insurance, remittance services, pension disbursement, overdraft, and loan facilities. FINO has a dedicated helpline for its CSPs but no dedicated helpline for grievance redressal is present for its customers.

10. EKO

Partner banks in Bihar	SBI and ICICI
Agent model	Mobile based
Number of districts with presence	7 districts
Number of CSP's in Bihar	250
Total accounts opened in Bihar	70,000
Percentage of active accounts	29%
Average number of transactions per day	1000
CSP profit share	75%:25% (CSP : BCNM)
In operation since	4 years
Products offered	NFA, Deposit/ Withdrawal, Remittance, Mobile/ DTH recharge

EKO works with SBI and ICICI Bank in Bihar and has a presence in seven districts. It uses mobile based Unstructured Supplementary Service Data (USSD) technology to operate and is by far the most investment light model. Its agents have to deposit a security amount of INR 2,500 after which they are able to access the EKO application through their mobile phones. The agents do not have to make any additional investments. Eko offers agents and opportunity to facilitate FI as an add-on to their primary businesses such as grocery/medical stores.

The agents are paid variable salaries based on the number of accounts opened and transactional volume. The model operates on an online real time basis and the agent makes an average of INR 4000 to INR 5,000 every month.

Apart from basic FI services, EKO’s agents also provide remittance, and mobile and DTH recharge services. For their urban CSPs, EKO does not focus on appointing a local resident as an agent but in rural setups, it only prefers local resident as agents. In Bihar, EKO feels that its growth has been limited so far because of the lack of trust people have in using mobile phones for financial transactions. As a result, the organisation is contemplating a switch to the kiosk model especially in such markets to gain customer confidence. EKO has a dedicated helpline for its CSPs as well as a grievance redressal mechanism for its customers.

11. BASIX SUB-K

BCNM	Basix Sub-k
Associated Banks in Bihar	Syndicate Bank, AXIS Bank, Ratnakar Bank, ING Vysya Bank, Karnataka Bank, Bank of India, Krishna BhimaSamruddhi Bank, and SoceityGenerale
Bihar District Presence	7 districts
Number of CSP’s in Bihar	30
Total accounts opened in Bihar	8,809
Average number of transactions per day	13

Sub-K’s agents use mobile devices and Bluetooth printers to provide FI services to customers. The agent commission structure is fixed till a certain monthly target is met after which a commission is paid for every account opened and every transaction conducted. Sub-K’s agents have other primary businesses such as a general store or a medical store. These agents are usually well settled in the village and help drive the organisation’s FI agenda.

In Sub-K, agents fund the amount for facilitating transactions and this amount is allotted as a virtual float to the agent. The agents also offer other third party services such as mobile recharges, ticketing, and loan recoveries. The customers’ interaction with the device is card less and is conducted on an online, real time mode. Sub-K accepts both biometric authentication and a PIN based system to verify customer details.

Based on the analysis and the methodology defined in the inception report , *MicroSave* has identified three Business Correspondents for conducting detailed institutional assessment.

9. 3: STAKEHOLDERS INTERVIEWED FOR THE PURPOSE OF THIS STUDY

Institution	Stakeholder Interviewed
RBI	Mr. N.B. Dattatreya (AGM Rural Planning and Credit Department)
Nabard	Mr. A. Paul
SLBC	Mr. Satish Kumar Singh (AGM SLBC)
SBI	Mr. O.P. Mishra
Union Bank	Mr. Sapan Kumar Chaudhary (Manager FI)
Canara Bank	Mr. Rajeev
Central Bank of India	Mr. Mishra
Uco Bank	Mr. Mandal, Mr. Ranjoy and Mr. Srivastava
PNB	Mr. Malik (GM) and Mr. Pankaj (FI Deaprtment)
Madhya Bihar Gramin Bank	Mr. K.B. Singh
Uttar Bihar Gramin Bank	Mr. Harilal
EKO	Mr. Ramanuj
Save	Mr Ajit
ZMF	Mr. Virendra Singh (Operations Manager Bihar)
Vikalp Multi Media (VMM)	Mr. Shashi Bharat
Sanjeevani	Mr. Akhilesh (President) and Mr. Ranjan
UTL	Mr Damodar Reddy
SreiSahej	Mr. Ranjan Singh
Fino	Mr. Gautam Gulshan
SARVALABH GLOBAL FOUNDATION (Glodyne)	Mr. Kumar Abhishek
BBD	Mr. Mishra
Sparrow	Mr. Rajesh
CDOT	Mr Ankur - (FI team) and Mr. R.R. Kalyan (MD)
HCL Infosystems Ltd.	Mr. Amar Kumar and Mr. Anand Jain
Basix Sub –K	Mr. Sheshagiri Prasad
Mr. R.R. Kalyan	ED, CDOT
Mr. Manohar Ojha	CEO, CDOT
Mr. Kishore	Director, FI, CDOT
Mr. Ankur Singh	Asst. Director, FI, CDOT
Mr. Prem Kumar	State head, CDOT
Mr. Sanjeev Sinha	Finance head, CDOT

Ms. Alka Singh	HR head, CDOT
Mr. Vijay Prasad	DC, CDOT
Mr. Mantu Kumar	CSP, Shahpur, CDOT
Mr. Biresh Kumar	CSP, Jumiar, CDOT
Mr. Jatinder Handoo	Head Strategic Alliance, FINO
Mr. Ashish Ahuja	Customer Service Group, FINO
Mr. Ashish Tyagi	Zonal Human Resource Manager, FINO
Mr. Ashok Kumar Pandey	Bihar State Head, FINO
Mr. Gautam Gulshan	Assistant Manager, CSDG Operations, FINO
Mr. Chandan Kumar Priyadarshi	Strategic Alliance team, FINO
Mr. Kanhaiya Yadav	CSP, BANKA, FINO
MD. Ahsan Abdin	CSP, Samastipur, FINO
Mr. Arunkumar	CSP, Hajipur, FINO
Mr. Rajesh Kumar	CSP, Barauni, FINO
Mr. Awinash Rajan	CSP, Khagaria, FINO
Mr. Ashok Kumar Chaudhary	CSP, Shivajinagar, FINO
Mr. Nirman Kumar Singh	CSP, Khagaria, FINO
Mr. Bashant Kumar Singh	CSP, Tajpur, FINO
Mr. Kundan Kumar Prasad	CSP, Mansi, FINO
Mr. Sambhu Prasad Mahto	CSP, Dalsingsarai, FINO
Mr. Ajit Kumar Singh	President, SAVE
Mr. Pankaj Kumar Singh	Secretary, SAVE
Mr. Ajay Kumar Sinha	Treasurer, SAVE
Mr. Dinesh Trivedi	District Co-ordinator, Gaya, SAVE
Mr. Kaushik	Marketing and Operations Manager, SAVE
Mr. Sunil	Marketing manager, SAVE
Mr. Shailesh Kumar	DC, Nalanda, SAVE
Mr. Jai Kishore Prasad	CSP, TikaBigha, SAVE
Mr. Surinder Kumar	CSP, Khatkecha by-pass, SAVE
Mr. Dharmendra Kumar	CSP, Lao, SAVE
Mr. Sunil Kumar	CSP, Rewla, SAVE
Mr. Shambu Saran	CSP, Tarwa, SAVE
Mr. Saurabh Kumar	CSP staff, Manopali, SAVE
Ms. PremLata	CSP, Hilsa, SAVE
Mr. Akhilesh Kumar Akhil	President, SVF
Mr. Ranjan Kumar	Secretary, SVF

Mr. Anand Kumar	MIS Executive, SVF
Mr. Purushottam Kumar	Finance Executive, SVF
Mr. Santosh Kumar	District Co-ordinator, SVF
Mr. Shailesh Kumar	CSP, Ghivadhar, SVF
Mr. Bharat Bhushan	CSP, Ghogha, SVF
Mr. Rajesh Kumar	CSP, Hardi, SVF
Mr. Amarendra Prasad	CSP, Basra Bazar, SVF
Mr. Krishna Dev Kumar	CSP, Rupauli, SVF
Mr. Sujit Kumar	CSP, Bakatpur, SVF

ABOUT DFID

For several decades, Government of UK's Department for International Development has been actively working with the Government of India to help the country achieve its own poverty reduction priorities and the Millennium Development Goals. India is a growing global power and an important partner for the UK. As India's economy grows, poverty reduces and India has ever greater prominence in world affairs, the UK's development partnership with India is evolving.



In November 2012, the UK and India agreed to move to a new development relationship, ending the UK's financial grant aid to India. The UK will responsibly complete by 2015 all our commitments to on-going projects. All new programmes will focus on sharing skills and expertise in priority areas such as growth, trade and investment, skills and health, or on making investments in private sector projects which create opportunities for the poor while generating a return. We will also strengthen our partnership with India on global development issues like food security and climate change.

Until 2015, DFID India will:

- Focus on the poorest people in India's low income states
- Put women and girls at the heart of our work
- Expand the private sectors' potential to combat poverty and
- Deepen our engagement with India on global issues to benefit poor people elsewhere

The Poorest States Inclusive Growth Program (PSIG): The DFID assisted PSIG programme is being currently implemented by SIDBI in 4 poorer states viz. Bihar, Madhya Pradesh, Odisha and Uttar Pradesh. The program is envisaged to benefit the poor and vulnerable people, especially women by providing financial access to 12 million poor people, thereby helping in enhancement of their income and employment opportunities in the above four states including Odisha. ACCESS-ASSIST is managing the policy component of the program.

For more information, please visit: <https://www.gov.uk/government/world/organisations/dfid-india>

ABOUT SIDBI

Small Industries Development Bank of India (SIDBI), set up on April 2, 1990 under an Act of Indian Parliament, acts as the Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector and for Co-ordination of the functions of the institutions engaged in similar activities.



Financial support to MSMEs is provided by way of (a) refinance to eligible Primary Lending Institutions (PLIs), such as, banks, State Financial Corporations (SFCs) for onward lending to MSMEs and (b) direct assistance in identified niche areas.

SIDBI has reoriented its business strategy towards filling up the financial and non-financial gaps in the MSME eco-system. Some niche financial gaps addressed by SIDBI are equity/ risk capital, receivable finance, sustainable finance which includes energy efficiency/clean production technology, services sector financing, factoring and reverse factoring, etc. SIDBI is one of the pioneers in the micro finance field and has initiated several steps for the orderly development of the sector.

SIDBI has also taken strategic initiatives for addressing various non-financial gaps for capacity building of the MSME sector, as well as bankers. These activities include entrepreneurship promotion through a dedicated website 'www.smallB.in', Credit Advisory Services, Loan Facilitation, capacity building of banks, particularly Regional Rural Banks towards micro enterprise lending, etc.

SIDBI has inter-alia, played pioneering role in the development of Micro Finance sector in the country under the National Micro Finance Support Programme supported by Department For International Development (DFID), UK and International Fund for Agricultural Development, IFAD, Italy. The programme which was operative during 2002-2009 has resulted in development of over 100 vibrant and self sustaining micro finance institutions (MFIs) in India.

SIDBI is currently implementing DFID, UK assisted "Poorest States Inclusive Growth (PSIG)" programme in the four states – Bihar, Uttar Pradesh, Madhya Pradesh and Odisha. The programme is expected to benefit the poor and vulnerable people especially women, in the targeted low income states, by enhancing access to various financial services such as credit, savings, insurance, pension, remittances etc. to 12 million poor people thereby helping enhancement of income and employment opportunities for them.

For more information please visit www.sidbi.com

ABOUT *MICROSAVE*

MicroSave is a premium consultancy organisation that offers practical, market-led solutions to financial institutions and corporations focused on bringing value to the base of the pyramid. *MicroSave*'s expertise has evolved from over 15 years of on-the-ground experience in Africa, Asia and Latin America. Our staff members comprise bankers, digital finance specialists, microfinance specialists, MSME specialists, accountants, social scientists, management consultants, livelihood experts, and rural development specialists

MicroSave
Market-led solutions for financial services

MicroSave offers services across four domains (Digital Financial Services for Financial Inclusion, Inclusive Finance and Banking, Micro, Small and Medium Enterprise, Private Sector Development) supplemented by four cross-cutting technical working groups (Training, Research, Responsible Finance, Risk Management).

For further information please contact us at info@microsave.net

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