

*Compilation of drill-down Case Studies of existing Business Correspondents and Business Correspondent (BC) models in MP*

*Strictly Private and Confidential*

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# List of abbreviations

AEPS	Aadhar Enabled Payment System
APBS	Aadhar Payments Bridge System
APY	Atal Pension Yolanda
BC	Business Correspondent
BCNM	Business Correspondent Network Manager
BF	Business Facilitator
CBI	Central Bank of India
CSC	Common Service Centres
CSP	Customer Service Point
DC	District Coordinator
DIF	Directorate of Intuitional Finance
FD	Fixed Deposit
FI	Financial Inclusion
IPS	Immediate Payment System
INR	Indian National Rupee
KCC	Kisan Credit Card
KYC	Know Your Customer
MFI	Micro Finance Institutions
MNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
NGO	Non-Governmental Organisation
NUUP	National Unified USSD Platform
OD	Overdraft
PC	Personal Computer
PIN	Personal Identification Number
PMJDY	Pradhan Mantri Jan Dhan Yojana
PMJJBY	Pradhan Mantri Jeevan Jyoti Bima Yojana
PMSBY	Pradhan Mantri Suraksha Bima Yojana
PNB	Punjab National Bank
POS	Point of Sale
PSIG	Poorest State Inclusive Growth
RRB	Regional Rural Bank
SBI	State Bank of India

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SHG	Self-Help Group
SIDBI	Small Industrial Development Bank of India
SLBC	State Level Banker's Committee
SMS	Short messaging service
SSA	Sub Service Area
ToT	Training of Trainers
TSP	Technical Service Provider

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# 1. Executive summary

## *Our engagement*

The Poorest State Inclusive Growth (PSIG) Programme with the support of DFID aims to improve the income and employment opportunities of poorer sections of society by enabling them to participate and benefit from wider economic growth in India. The programme is being managed by Small Industrial Development Bank of India (SIDBI) and is implemented in four states including Madhya Pradesh, Uttar Pradesh, Odisha and Bihar.

The Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme to provide universal access to banking facilities with at least one basic bank account for every household is one of the most comprehensive Government initiatives on financial inclusion. The scheme compliments the PSIG Programme since PSIG and PMJDY serve to improve access of financial services to low income households, which has not been very successful in the traditional Brick and Mortar Banking system.

In January 2006, Reserve Bank of India issued a new set of guidelines, allowing Banks to employ Business Correspondents (BCs), in order to expand their outreach. The BC model has been crucial in the success of extending financial services in the state of Madhya Pradesh.

Accordingly, SIDBI has appointed PwC to conduct a drill-down study on existing Business Correspondent models in Madhya Pradesh. The core objective is to conduct an in-depth study of the overall BC model in MP and to reach an understanding of the critical success factors, policy and operational challenges for various institutions, and way forward.

## *Current status of scheme*

Prior to the launch of PMJDY, nearly 42% of the country's population lacked access to a formal and systematic financial institution, such as a Bank<sup>1</sup>. The scheme was announced on 15 August 2014 with an aggressive target of opening all accounts by 26 August 2015. By November-end 2014, Madhya Pradesh had announced that it had achieved targets of opening at least one bank account per household with over 60 lakh accounts<sup>2</sup>. As of August-end 2015, the number of individuals with a bank account jumped to 1.52 crore under PMJDY<sup>3</sup>.

Currently, there are 10,263 BCs appointed in the state, of which: 66% are covered by Public Banks, 31% by Rural Regional Banks (RRBs) and the remaining 3% by Private Banks. To achieve targets under PMJDY, Business

<sup>1</sup> Financial Foresights - Views, Reflections and Erudition. (2015). *FICCI*, [online] 6(1), p.13. Available at: [http://www.ficci.com/sector/3/Add\\_docs/Financial-Foresights-E-Book.pdf](http://www.ficci.com/sector/3/Add_docs/Financial-Foresights-E-Book.pdf) [Accessed 19 Aug. 2015].

<sup>2</sup> Pradhan Mantri Jan-Dhan Yojana, Ministry of Finance, (2015). *Madhya Pradesh*. [online] Available at: <http://www.pmjdy.gov.in/account-statistics-state.aspx?2JyIUfl6kWaWG9JovHo9lA%3D%3D> [Accessed 20 Aug. 2015]

<sup>3</sup> Pradhan Mantri Jan-Dhan Yojana, Ministry of Finance, (2015). *Madhya Pradesh*. [online] Available at: <http://www.pmjdy.gov.in/account-statistics-state.aspx?2JyIUfl6kWaWG9JovHo9lA%3D%3D> [Accessed 20 Aug. 2015].

Correspondents have a vital role to play. Although this model is a more efficient means to reach unbanked populations, there exist multiple opportunities to further strengthen the model before moving ahead with phase II of PMJDY.

## *Study methodology*

The study conducted by PwC had a mixed method research methodology which included both quantitative survey and qualitative discussions with clients, intermediaries and key stakeholders.

The quantitative component for BC sampling was disaggregated by type of Bank and geographies to maintain adequate representation. For the purpose of the study, proportion of BCs selected were 10% from Private Banks, 60% from Public sector Banks and 30% from Regional and Rural Banks. A total of 350 Business Correspondents and 1,750 clients were randomly selected from 16 districts. The qualitative component included interactions with Corporate BCs, implementation partners, technology partners and POS operators in both structured and semi-structured interviews. An analytical framework was developed in order to categorize heuristic observations and to facilitate research. A set of indicators were then developed to objectively quantify dimensions of each area.

### Analytical Framework

- Accounts and Clientele
- Coverage
- Transactions
- Institutional Capacity
- Technology Use
- Financial Literacy and Capacity Building
- Viability and Sustainability

Detailed meetings were conducted with Corporate BCs to develop an understanding of the interplay of various factors affecting the success of the Individual BC. Case studies were prepared from carefully selected Business Correspondents to highlight unique strategies adopted which contributed to their success.

## *Study outcomes*

### *Findings from interaction with Corporate Business Correspondents (BCNMs)*

A combined assessment was prepared to highlight the major findings from interactions with Corporate BCs using the analytical framework to provide guidance. The BCNMs that were interviewed include AISECT, DSK Digital, FINO, INTEGRA, Red Craft and NICT. The key points that emerged from the discussion with BCNMs are as follows:

**Accounts and Clientele:** After the launch of PMJDY, Corporate BCs were required to support their partnered Banks to meet financial inclusion mandates by travelling extensively to open accounts for every household. All Corporate BCs adopted the same strategy for identifying local BCs. The main criteria was to select Individual BCs that had strong pre-existing networks and a good standing within the community. Once the BC was able to identify customers and open accounts, the key issue that was observed was the fact that a large portion of customers were not able to transact because they were not provided with a RuPay card and pin number which led

to account inactivity. This, along with the fact that there was no balance in most of the existing accounts, had created a vicious cycle leading to low levels of transactions.

Corporate BCs stated that there are a number of operational and technical issues from the Bank's end that inhibit transaction. For instance, complaints are often received from customers stating that they are unable to use their accounts. These delays are primarily due to a delay in account authorisation from the Bank's end which prevents customers from transaction.

**Coverage:** Interactions with Corporate BCs indicated that all SSAs assigned to them by their partnered Bank has at least one BC offering financial services to customers of that area in order to ensure full coverage and maximum outreach.

**Transactions:** All transactions through a BCNM are conducted in person through either a kiosk or a PoS model. In a kiosk model, the Business Correspondent is situated at a fixed point where they work using their own laptop and biometric device. The advantage of a kiosk model is that since the BC is reliable at a fixed location with branding signs provided by the Bank, there is an inbuilt feeling of trust. With a PoS model, the BC uses a portable device for customer transactions. The advantage of a PoS model is that the BC is able to be mobile which allows for greater outreach. Some Corporate BCs use a mixed model which allows for benefits to be gained from both of these models.

**Institutional Capacity:** The number of BCs employed by each BCNM was found to be ranging from 700 to 4,500 within Madhya Pradesh. The BCNMs claimed that roughly 13% of their human resources are female. Most BCNMs had either an 80-20 or 75-15 commission sharing model with the Individual BC. Alternatively, some Corporate BCs operate only with a fixed salary. For the most part, most Corporate BCs attributed delays in salary payments to institutional hold-ups with the Bank.

**Technology Usage and Support:** Every BCNM that was interviewed stated that all of their BCs are 100% technologically proficient and trained. However, internet connectivity has been identified as one of the main limiting factors affecting the operations of BCs. In order to address technological and connectivity issues, every BCNM claimed to have support staff present both on the field as well as in the main office.

**Financial literacy efforts and capacity building:** BCNMs select their BCs primarily on the basis of their educational qualifications, their local knowledge and network. Once selected, BCs are given initial training by the BCNM in the areas of operational, technical and soft-skills. Training is provided on an ongoing basis mainly focusing on operational and soft skills such as how to increase monthly income and how to build trust with customers. Several Banks also provide trainings periodically to build capability in the areas of financial products and services. Despite training efforts, discussions with BCNM pointed to the lack of adequate financial awareness as one of the main challenges in increasing account usage.

**Viability and sustainability:** When comparing the Branch vs BC model for facilitating greater financial inclusion, BCNMs agreed that the BC model is undoubtedly better both cost-wise and reach-wise. However, several areas need to be addressed in order to ensure that the model is viable in Phase II as well as in the future:

1. Lack of adequate incentives to ensure that customers return after having opened accounts
2. Issue of financial literacy
3. Zero balance accounts and overall inactivity
4. Connectivity issues
5. Difficulty in travelling at the local level (division of SSAs) and requirement to travel long distances
6. Inadequate compensation given for the BCs to travel (when they have to travel long distance)
7. Difficulty for the Branch Managers to monitor 8-9 BCs,
8. Inadequate financial incentives for the BCs to continue operations overall

Attrition rate was also mentioned as an ongoing concern for some of the Corporate BCs with attrition as high as 60%. Corporate BCs attributed this high attrition rate a result of low salaries and commission.

### *Findings from survey of Business Correspondents*

*Information gathered through Business Correspondents primarily focused on aspects of accounts and clientele, financial literacy and capacity building, operational issues, need for institutional support, viability as a BC, among other demographic details.*

Data collected from the survey found that on an average, **a Business Correspondent had opened 2,335 accounts**, which comprised of 60% male customers and 40% female customers. The average **number of transactions per day was 33 with an average amount per transaction of Rs 312**, which was higher in rural areas (Rs 322) than in urban locations (Rs 257). Typically, the number of transactions increases when social security schemes, scholarships and subsidies are credited in client accounts, during which time the number of transactions rises as high as 120-130 per day.

The average **monthly income of an individual BC was Rs 4,008**, which included both fixed component as well as commission. Individual BCs in rural areas earned Rs 3,745 and those in urban locations earned a higher monthly income of Rs 5,393. Analysis of data suggests that income levels of a BC started at Rs 3,243 for the first year which gradually increased to Rs 5,354 in the third year. The income level thereafter declined to Rs 4,306 in the consecutive years. It was observed from interactions with Individual BCs that income levels were initially low as BCs establish their services. As they expand their services, the number of customers, related account openings and transactions increase in the second and third years. However, subsequent income stagnated because of a lack of activity in customer accounts which further demotivated the BC. Analysis of data suggests that close to **63% of BCs interviewed were under the opinion that the business is not viable after the initial phase of account openings.**

One of the primary focus areas of financial inclusion is women empowerment. It could be inferred from data that financial inclusion has not only helped to provide banking services to the unbanked population, but has also been instrumental in enabling women to be financially secure and contributing to their empowerment.

Several challenges have emerged from findings through the primary data collection. One of the major challenges affecting Business Correspondent's ability to succeed is related to account inactivity. Of the total number of accounts opened by the Business Correspondent, **close to 18% of accounts on average were inactive in the past six months**. Since account activity is directly linked to the BC's overall income, **79% of BCs mentioned that they need training on how to increase their income** showing that there is high motivation to succeed. Interactions with BCs during field visits highlighted that regular capacity building is necessary to keep BCs motivated enough and help reduce attrition. **As a result of insufficient monthly income, 21% of all respondents in rural and 30% in urban locations indicated that they were involved in income generating activities other than their principle job of acting as a BC.**

To further add to challenges faced by the BC, **45% of BCs mentioned that their salary and commission is never paid on time with an average delay in payments of 63 days**. This is especially a burden on the BC as they make **high initial investment of Rs 32,516** on average in order to establish their services. Once making this initial investment, BCs need to ensure that this large amount is recoverable through their monthly earnings. Finally, a challenge that was repeatedly observed and indicated was internet connectivity. **Close to 50% of BCs mentioned that they have daily / regular issues with internet connectivity**, whereas another around 36% of the BCs had issues on an irregular basis (once in two to three days).

### *Findings from survey of clients of Business Correspondents*

*Information gathered through clients of Business Correspondents primarily focused on aspects of their overall experience of financial inclusion, including the process of account openings, change in habit of savings, operational challenges and likeability towards BC model, among other demographic details.*

Analysis of data shows that **a little more than two third (67%) of all clients were involved in income generating activity**. Of these, close to 52% of respondents were agricultural labourers, 18% were non-agricultural labourers, eight percent were home based workers and another around two percent were pensioners. Of the respondents who were currently working, **the average monthly income was Rs 4,701**. Those who were in urban locations earned a slightly higher income of Rs 6,030, while respondents in rural areas made an average monthly income of Rs 4,505.

Data analysis also point to encouraging results related to awareness levels as well as trust levels in the overall scheme. Close to **75% of respondents were aware of the facility of accidental insurance** coverage under PMJDY. Furthermore, approximately **68% of respondents were aware that they can avail an overdraft facility** of up to Rs 5,000 after six months of account opening if they did regular transactions. Finally, **95% of respondents agreed that their savings deposited is safe and that the Business Correspondent is a trustworthy person**. A little over 80% of respondents also agreed that their BC has adequate knowledge of PMJDY and around 95% mentioned that BCs are supportive in nature. More than **90% of respondents agreed that they feel financially safe and secure with a PMJDY account** indicating high satisfaction levels with the overall scheme.

Moreover, it can be demonstrated that the PMJDY scheme has been able to meet the needs of the customer when analysing data on customer motivation to open an account and their current account usage. **80% of respondents mentioned that their motive to open an account was to start savings.** Once accounts were open under the PMJDY scheme, close to **90% of all respondents mentioned that they have started saving money in their accounts.**

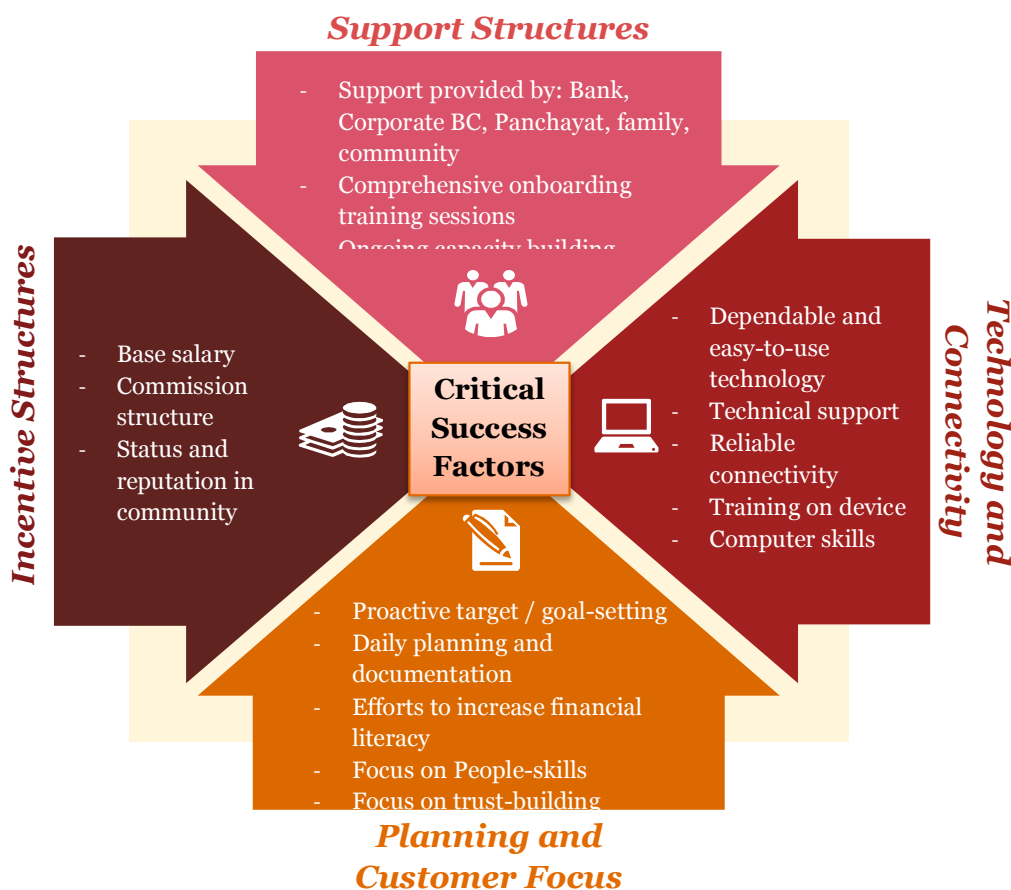
Challenges that the client faced were also supported through analysis of data. Under the PMJDY scheme, customers are eligible for insurance benefits so long as they use their RuPay Card at least once in 45 days<sup>4</sup>. However, usage of their card is linked to receipt of the RuPay card as well as the corresponding pin number. Nearly **30% of clients had not received their RuPay card within the period of 45 days**, meaning they may not be eligible for insurance benefits. Furthermore, over **40% of respondents had not received their pin number within the 45 day period.** It could be inferred from data that most clients in the present study were not eligible to avail accidental insurance cover of 1 lac, not because they did not use the card in 45 days, but because they did not receive either the RuPay card or pin number.

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<sup>4</sup> Pradhan Mantri Jan-Dhan Yojana, Ministry of Finance, (2015). Scheme Details. [online] Available at: [http://www.pmjdy.gov.in/scheme\\_detail.aspx](http://www.pmjdy.gov.in/scheme_detail.aspx) [Accessed 19 Jul. 2015].

## Observed Success factors for the Individual BC

Critical success factors which were observed from interactions with Business Correspondents can be summarised and grouped into the following four areas:



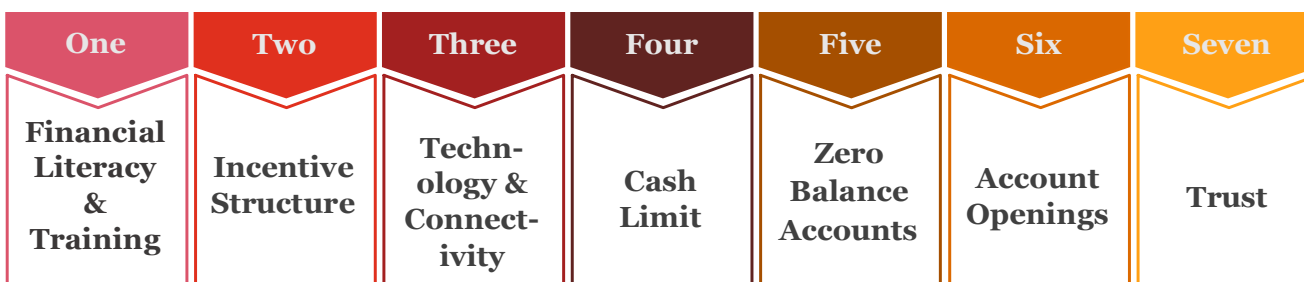
Detailed interactions with 12 successful Business Correspondents revealed the following success factors:

1. Trust building and people skills
2. Seamless internet connectivity
3. Reliable technology for transactions
4. Strong computer skills
5. Existing infrastructure from providing established services
6. Existing customer base from providing established services
7. Planning and organisational skills
8. Effective training and capacity building
9. Diversified financial services
10. Locational advantage within the community
11. Proximity to link bank branch
12. Efforts to provide financial literacy to customers

13. Support and close connections with Panchayat / Sarpanch
14. Support from Bank and Corporate BC
15. Support / mentorship from other Individual BCs
16. Support from family (in assisting day-to-day operations)
17. Lack of competition
18. Prior experience and network
19. Proactive attitude towards increasing customer base
20. Ensuring provision of high quality services
21. Varied sources of income
22. Hard work and perseverance

### ***Recommendations and way forward***

Critical success factors which lead to an effective Business Correspondent were determined through analysis of data collected in the field. This data was used to provide recommendations to Individual BCs / CSP, Corporate BCs / BCNM, and Banks to improve the effectiveness at the policy level, institutional level and CSP level. Recommendations were provided related to the following seven areas:



With the infrastructure laid out during Phase I of PMJDY, the way forward will include: ensuring micro credit availability; providing micro insurance and pension schemes to account holders; ensuring that the devices of BCs are completely functional and with better connectivity; activation of RuPay cards issued; Aadhaar seeding of accounts opened under PMJDY; structuring Financial Literacy programmes; and extending overdraft facility in existing accounts. The successful preparation of Business Correspondents will be crucial to ensure that Phase II of PMJDY in Madhya Pradesh is met with the same success.



## 2. Financial inclusion – an introduction

### *Regulatory framework for financial inclusion in India*

Financial inclusion is influenced by both demand and supply side factors, where:

<b>Demand Factors:</b>	<ul style="list-style-type: none"> <li>• Financial literacy and awareness</li> <li>• Felt need for the products</li> <li>• Credit absorption capacity, etc.</li> </ul>
<b>Supply Factors:</b>	<ul style="list-style-type: none"> <li>• Product availability and delivery methods</li> <li>• Service providers, etc.<sup>5</sup>.</li> </ul>

The Business Correspondent (BC) model has the ability to achieve both demand and supply targets since it can create opportunities for the banking sector to provide appropriate financial products at affordable rates and create demand through development of local PoS (Point of sale).

RBI therefore prepared guidelines for expansion of the banking outreach through the BC model with information technology support, which revolutionised the spread of financial inclusion across India. In 2006, RBI put up financial inclusion as a stated policy and advised Banks to make use of Business Correspondents (BCs) to address access and service issues for the unbanked and under-banked masses. The use of BCs is required to be reported in each Bank's Financial Inclusion Plan (FIP).

“Financial inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker section and low income groups at an affordable cost in a fair and transparent manner by mainstream Institutional players” –  
*Committee on Financial Inclusion*

As per what is stated in the **RBI Guidelines**, the BC model is as follows:

- While an organisation can be a BC for more than one Bank, at the point of customer interface, a retail outlet or a sub-agent of a BC or Customer Service Point (CSP) or Business Correspondent Agent (BCA) shall represent and provide banking services of only one Bank.
- The terms and conditions governing the contract between the Bank and the BC should be carefully defined in written agreements and subjected to a thorough legal vetting.
- While drawing up agreements, Banks should strictly adhere to instructions contained in the guidelines on managing risks and code of conduct in outsourcing of financial services by Banks, issued by Reserve Bank of India on November 3, 2006.

<sup>5</sup> Khan, H. (2012). Financial Inclusion and payment systems – recent trends, current challenges and emerging issues. [online] Available at: <http://www.bis.org/review/r130201d.pdf> [Accessed 29 Jan. 2015].

- The Bank will be fully responsible for the actions of the BCs and their retail outlets/sub agents<sup>6</sup>

## ***The Business Correspondent model of financial inclusion***

Banks provide their services through various channels such as Brick and Mortar branches, ATMs and internet banking. It was estimated that 6 crore households in rural and 1.5 crore in urban area needed to be covered as of 2014<sup>7</sup>. To bring this huge section of population under financial coverage, RBI had therefore issued a new set of guidelines allowing Banks to use Business Correspondents (BC) and Business Facilitators (BFs) to carry out transactions on behalf of them.

A BC is defined as an entity that acts as a teller for the Bank and carries out a full range of transactions on behalf of the Bank for which they are paid commissions for the services they render. The model facilitates the following key activities:

- Disbursal of small value credit
- Recovery of principal/collection of interest
- Collection of small value deposits
- Sale of financial products such as micro insurance, mutual funds products or pension products
- Receipt and delivery of small value remittances and other payment instruments
- Disbursement of funds related to government schemes such as NREGS, Pension programmes and other social entitlements<sup>8</sup>

RBI therefore permits Banks to use the services of Non-Governmental Organisations / Self Help Groups (NGOs/SHGs), Micro Finance Institutions (MFIs) and other Civil Society Organisations (CSOs) as intermediaries in providing financial and banking services to unbanked populations through the BC model<sup>9</sup>.

<sup>6</sup> Governance Knowledge Centre (2011). Delivering Financial Inclusion Services to Rural Citizens through the Common Service Centers: An Evaluation of State Implementation Models. [online] Available at:

[http://indiagovernance.gov.in/files/Financial\\_Inclusion\\_through\\_CSCs\\_28\\_02\\_2011.pdf](http://indiagovernance.gov.in/files/Financial_Inclusion_through_CSCs_28_02_2011.pdf) [Accessed 3 Aug. 2015].

<sup>7</sup> SLBC Madhya Pradesh, (2014). Pradhan Mantri Jan-Dhan Yojana: A National Mission on Financial Inclusion. [online] Available at: [http://www.slbcmadhyapradesh.com/pdf/PMJDY\\_MISSION\\_DOCUMENT.pdf](http://www.slbcmadhyapradesh.com/pdf/PMJDY_MISSION_DOCUMENT.pdf) [Accessed 29 Jan. 2015].

<sup>8</sup> Reserve Bank of India (2013). Financial Inclusion by Extension of Banking Services- Use of Business Correspondents for distribution of Banknotes and Coins- Alternative Avenues [online] Available at: <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8361&Mode=0> [Accessed 03 Aug 2015].

<sup>9</sup> Grameen Foundation. (2013). Discussion Papers on India's Business Correspondent Model: And the Operational challenges faced by BCs in the field. [online] Available at <http://www.grameenfoundation.in/wp-content/uploads/2013/11/Discussion-Papers-on-Operational-Challenges-of-BCs.pdf> [Accessed 03 August 2015].

## Model structure

Financial inclusion through the BC model emerged following RBI's guidelines is illustrated in the figure given below<sup>10</sup>:

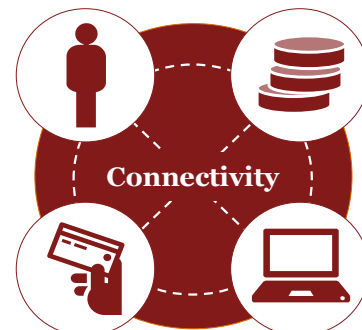
**Figure 1: BC model structure and execution**



<sup>10</sup> International Finance Corporation (2013). IFC Mobile Money Scoping - Country Report: India. [online] Available at: <http://www.ifc.org/wps/wcm/connect/49a11580407b921190f790cdd0ee9c33/India+Scoping+report+063013+for+publication.pdf?MOD=AJPERES> [Accessed 29 Jan. 2015].

## ***Comparison between BC model and the Brick and Mortar model***

The aim of the BC model is to develop and strengthen the relationship between the unbanked people and the formal financial system.<sup>11</sup> The biggest advantage of this model is the fact that the Bank gets exposure to the rural population without physically being present in the form of Bank branches. Unbanked people from remote areas also get an easy access to banking facilities at their doorstep which is provided by a local from the same area itself. The BC model also promotes and nurtures SHGs and contributes to creating awareness about financial operations. It is therefore meant to serve as an economically feasible and customer-friendly banking model designed for the poor.



Under the BC model an authorised agent who may or may not even be a direct employee of a financial institution personally travels within a designated geographical area particularly to the rural areas to enrol people as Bank clients, deliver loans, and collect repayments<sup>12</sup>. Brick and mortar branches on the other hand serve as fixed locations and services are therefore limited to a particular location. The BC model therefore has the potential to deliver a range of services even to rural and inaccessible regions which is key to facilitate greater financial inclusion and inclusive growth.

## ***Pradhan Mantri Jan Dhan Yojana (PMJDY) – A holistic approach to financial inclusion***

### ***Transforming the landscape of financial inclusion***

Efforts to include the financially excluded sections of society in India are not new. For instance in 2011, the Government of India launched a campaign where 74,000 villages with a population of more than 2,000 were covered with banking facilities<sup>13</sup>. The earlier campaign however was limited in terms of both reach and coverage. There were a number of areas that were lacking in the earlier initiative including– opening of Bank accounts, access to digital money, availing of micro-credit, pension and insurance. The campaign was focused only on the supply side of banking and there was no focus on households. Technological issues prevailed, and the desired benefits could not be achieved.

The **Pradhan Mantri Jan Dhan Yojana** (PMJDY) scheme was then launched for comprehensive financial inclusion by the Prime Minister, Shri Narendra Modi on 28 August 2014. It is run jointly by the Department of Financial Services and the Ministry of Finance and its focus is on financial inclusion. Under PMJDY, the focus

<sup>11</sup> Kolloju, N. (2014). Business Correspondent Model vis-à-vis Financial Inclusion in India: New practice of Banking to the Poor. *international Journal of Scientific and Research Publications*. [online] Available at <http://www.ijsrp.org/research-paper-0114/ijsrp-p2556.pdf> [Accessed 30 July 2015]

<sup>12</sup> Kolloju, N. (2014). Business Correspondent Model vis-à-vis Financial Inclusion in India: New practice of Banking to the Poor. *international Journal of Scientific and Research Publications*. [online] Available at <http://www.ijsrp.org/research-paper-0114/ijsrp-p2556.pdf> [Accessed 30 July 2015]

<sup>13</sup> SLBC Madhya Pradesh, (2014). Pradhan Mantri Jan-Dhan Yojana: A National Mission on Financial Inclusion. [online] Available at: [http://www.slbcmadhyapradesh.com/pdf/PMJDY\\_MISSION\\_DOCUMENT.pdf](http://www.slbcmadhyapradesh.com/pdf/PMJDY_MISSION_DOCUMENT.pdf) [Accessed 29 Jan. 2015].

of coverage has shifted from village to households with an objective to provide at least (a) one Bank account for every household, (b) improve financial literacy, (c) improve access to credit, (d) insurance, and (e) pension facilities. The implementation strategy has been to utilise the existing banking infrastructure as well as to build upon the same to cover all households<sup>14</sup>. The scheme also allows poor people to move away from moneylenders and to benefit from a wide range of financial products.

## ***Features and offerings***

The PMJDY scheme comprises of the following six pillars:-

1. **Universal access to banking facilities:** Mapping of each district into Sub Service Area (SSA) catering to 1,000-1,500 households in a manner that every habitation has access to banking services within a reasonable distance of 5 km by 14 August 2015. Coverage of parts of J&K, Himachal Pradesh, Uttarakhand, North East and the Left Wing Extremism affected districts which have telecom connectivity and infrastructure constraints would spill over to the Phase II of the programme (15 August 2015 to 15 August 2018)
2. **Providing Basic Banking Accounts with overdraft facility and RuPay Debit card to all households:** To first cover all uncovered households with banking facilities by August 2015, by opening basic Bank accounts. Account holder would be provided with a RuPay Debit Card. Provision of overdraft facility to every basic banking account holder would be considered after satisfactory operation / credit history of six months.
3. **Financial Literacy Programme:** Financial literacy would be an integral part of the Mission in order to let the beneficiaries make best use of the financial services being made available to them.
4. **Creation of Credit Guarantee Fund:** Creation of a Credit Guarantee Fund to cover the defaults in overdraft accounts.
5. **Micro-Insurance:** Providing micro- insurance to all willing and eligible persons by 14 August 2018, and then on an ongoing basis.
6. **Unorganised sector Pension schemes like Swavalamban:** By 14 August 2018 and then on an ongoing basis<sup>15</sup>.

<sup>14</sup> SLBC Madhya Pradesh, (2014). Pradhan Mantri Jan-Dhan Yojana: A National Mission on Financial Inclusion. [online] Available at: [http://www.slbcmadhyapradesh.com/pdf/PMJDY\\_MISSION\\_DOCUMENT.pdf](http://www.slbcmadhyapradesh.com/pdf/PMJDY_MISSION_DOCUMENT.pdf) [Accessed 29 Jan. 2015].

<sup>15</sup> SLBC Madhya Pradesh, (2014). Pradhan Mantri Jan-Dhan Yojana: A National Mission on Financial Inclusion. [online] Available at: [http://www.slbcmadhyapradesh.com/pdf/PMJDY\\_MISSION\\_DOCUMENT.pdf](http://www.slbcmadhyapradesh.com/pdf/PMJDY_MISSION_DOCUMENT.pdf) [Accessed 29 Jan. 2015].

## *A phase-wise implementation approach*

Under the scheme, comprehensive financial inclusion of the excluded sections is proposed to be achieved by 14 August 2018 in two phases:

### **1. Phase I (15 August 2014 - 14 August 2015)**

- Universal access to banking facilities in all areas except areas with infrastructure and connectivity constraints like parts of North East, Himachal Pradesh, Uttarakhand, J&K and 82 Left Wing Extremism (LWE) districts.
- Providing Basic Banking Accounts and RuPay Debit card, which has an inbuilt accident insurance cover of 1 lakh. Aadhaar number will be seeded to make account ready for Direct Benefit transfer (DBT) payment.
- Overdraft facility up to Rs 5,000 after six months of satisfactory operation / history
- Financial Literacy Programme

### **2. Phase II (15 August 2015 - 14 August 2018)**

- Creation of Credit Guarantee Fund for coverage of defaults in A/Cs with overdraft limit up to Rs 5,000
- To provide Micro Insurance to all eligible persons
- Unorganised sector Pension schemes like Swavalamban<sup>16</sup>

Some of the Phase II activities would also be carried out in Phase I. Coverage of households in hilly, tribal, and difficult areas would also be carried out. Moreover, this phase would focus on coverage of remaining adults in the households and students.

In a nutshell,

- **SSA divisions:** 6 lakh villages across the entire country would be mapped according to the Service Area of each Bank to have at least one fixed point banking outlet catering to 1,000 to 1,500 households, called as Sub Service Area (SSA). SSAs shall be covered through a combination of banking outlets i.e. branch banking and branchless banking.
- **Additional BCs, branches and ATMs:** While the existing banking network would be fully geared up to open Bank accounts of the uncovered households in both rural and urban areas, the banking sector would also be expanding itself to setup an additional 50,000 BCs, more than 7,000 branches and more than 20,000 new ATMs in the first phase.

<sup>16</sup> SLBC Madhya Pradesh, (2014). Pradhan Mantri Jan-Dhan Yojana: A National Mission on Financial Inclusion. [online] Available at: [http://www.slbcmadhyapradesh.com/pdf/PMJDY\\_MISSION\\_DOCUMENT.pdf](http://www.slbcmadhyapradesh.com/pdf/PMJDY_MISSION_DOCUMENT.pdf) [Accessed 29 Jan. 2015].

- **Comprehensive Planning:** A comprehensive plan is necessary considering the learnings from the past, where a large number of accounts opened remained dormant, resulting in costs incurred for Banks and no benefits to the beneficiaries.
- **Issue of poor connectivity:** The Department of Telecom has been requested to ensure that problems of poor and no connectivity are resolved. They have informed that out of the 5.93 lakh inhabited villages in the country (2011 census) about 50,000 villages are not covered with Telecom connectivity.
- **Holistic and sustainable approach:** Based on the learning of the past, a holistic approach is proposed to provide all the citizens of the country with a basket of financial products to enable them financially secure. As opposed to the previous approach (Swabhimaan), the PMJDY allows for greater inter-operability through RuPay Debit Cards, the use of mobile banking, minimum remuneration of the Bank Mitr (or Business Correspondent) to be Rs 5,000, and state and district level monitoring committees. The viability and sustainability of the BC is also identified as a critical component<sup>17</sup>.

## ***Technology integration***

RBI's Guidelines regarding BCs allows for flexibility to Banks regarding the use of information and communication technology (ICT) for financial inclusion resulting in a spur of innovation for Banks to provide inexpensive and efficient technological solutions. The BC model is highly dependent on technology, as the technology platform is what allows trust to be extended from the Bank through the BC to individual CSPs. Today with the use of mobile technology, Banks can reach vast geographic areas from a remote location using a vast array of technology, including hand-held mobile devices, Internet, and mini-ATMs and kiosks.

The responsibility of the technology provider is significant. While some Banks have established their own methods for BC operations as an addition to their core financial services, the majority of the BCs depend on a separate technology provider. The responsibility and services offered by the technology provider include:

- a. Providing and maintaining devices (laptop computers, hand-held devices, mobile phones, etc.) for customer enrolment including biometric capturing devices supporting ISO templates generation and verifications as per standards stipulated by Banks.
- b. Devices for making transactions including central biometric authentication linked to National Payment Corporation of India (NPCI).
- c. The technology solution offered need to conform to certain standards (i.e. multiple OS and should be capable of supporting transactions in 'on line' mode with CBS systems of the Banks as well as 'offline' mode with the device)<sup>18</sup>.

<sup>17</sup> SLBC Madhya Pradesh, (2014). Pradhan Mantri Jan-Dhan Yojana: A National Mission on Financial Inclusion. [online] Available at: [http://www.slbcmadhyapradesh.com/pdf/PMJDY\\_MISSION\\_DOCUMENT.pdf](http://www.slbcmadhyapradesh.com/pdf/PMJDY_MISSION_DOCUMENT.pdf) [Accessed 29 Jan. 2015].

<sup>18</sup> Citi, (2012). Sa- Dhan - Financial Inclusion: A Study on the Efficacy of Banking Correspondent Model. [online] Available at: [http://www.citi.com/citi/microfinance/data/business\\_cor\\_study.pdf](http://www.citi.com/citi/microfinance/data/business_cor_study.pdf) [Accessed 29 Jan. 2015].

Mobile phone technology has emerged as the most effective and prevalent solution resulting from limitations due to electricity and Internet connectivity in remote areas. The following technological solutions are prevalent in the space:

- Micro ATM's
- Kiosks
- General Packet Radio Service (GPRS) -enabled mobile-based online applications
- Portable printing devices synchronised with mobile handsets
- Clients are given a biometric smartcard<sup>19</sup>

### *Technology integration with respect to PMJDY*

The biggest obstacle for financial inclusion so far has been low volumes and large numbers which have in turn led to large costs. Bringing down these costs and improving the overall geographical reach for the model would require the use of sound technology. Technological products like e-KYC, IMPS, AEPS, mobile banking etc. therefore have the potential to emerge as game changers in terms of costs, convenience, and speed of reach.

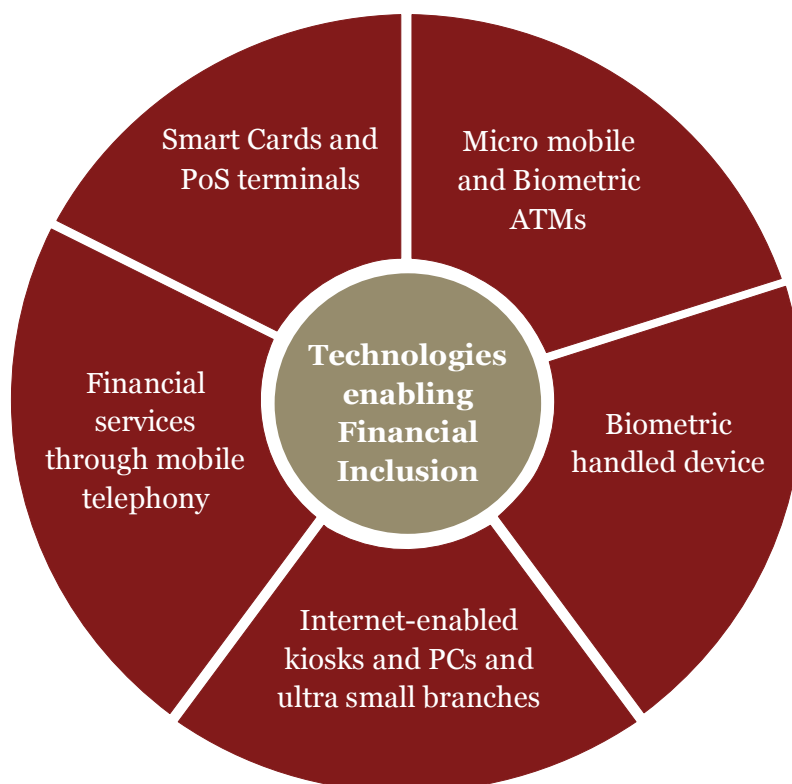
PMJDY has proposed to use technology in a significant way through products such as:

1. **Electronically Know Your Customer (e-KYC):** Process for KYC verification under Prevention of Money Laundering (Maintenance of Records) Rules, 2005. It is a paperless process that has made the account opening of customers with Aadhar numbers easier, and almost all Banks have adopted this process so far.
2. **Transaction through Mobile Banking:** Basic financial transactions from Bank accounts can be executed through a mobile-based PIN system using "Mobile Banking".
3. **Immediate Payment System (IMPS):** Offers an instant 24\*7, interBank electronic fund transfer service through mobile phones as well as internet banking and ATMs.
4. **Micro-ATMs:** Biometric authentication enabled hand-held devices which offer one of the most promising options for providing financial services to the unbanked populations.
5. **National Unified USSD Platform (NUUP):** Customers can avail of USSD through any mobile phone on GSM network irrespective of the make and model of the phone. There is no application required to be downloaded and GPRS connectivity.

<sup>19</sup> International Finance Corporation (2013). IFC Mobile Money Scoping - Country Report: India. [online] Available at: <http://www.ifc.org/wps/wcm/connect/49a11580407b921190f790cdd0ee9c33/India+Scoping+report+063013+for+publication.pdf?MOD=AJPERES> [Accessed 29 Jan. 2015].



6. **RuPay Debit Cards:** New card payment scheme that allows Indian Banks and financial institutions in India to participate in electronic payments. The benefits of this card are in the flexibility of the product platform, high levels of acceptance, and the strength of the RuPay brand.
7. **Aadhar Enabled Payment System (AEPS):** Banking product that allows online interoperable financial inclusion transaction at PoS (Micro-ATM) or Kiosk banking through the BC of any Bank through Aadhar authentication.
8. **Aadhar Payments Bridge System (APBS):** It enables the transfer of payments from Government and Government Institutions to Aadhar-enabled accounts of beneficiaries at Banks and post offices<sup>20</sup>.



<sup>20</sup> SLBC Madhya Pradesh, (2014). Pradhan Mantri Jan-Dhan Yojana: A National Mission on Financial Inclusion. [online] Available at: [http://www.slbcmadhyapradesh.com/pdf/PMJDY\\_MISSION\\_DOCUMENT.pdf](http://www.slbcmadhyapradesh.com/pdf/PMJDY_MISSION_DOCUMENT.pdf) [Accessed 29 Jan. 2015].

### 3. Status of financial inclusion under PMJDY in MP

#### *Unbanked population in Madhya Pradesh*

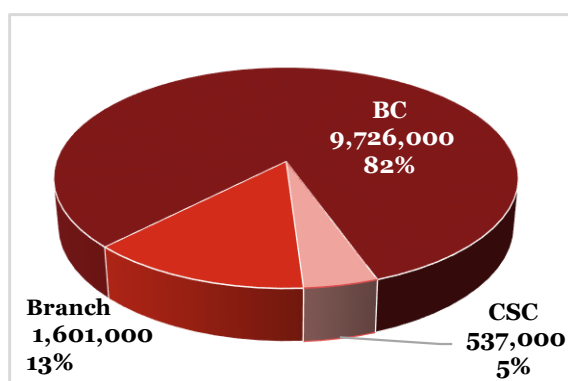
Madhya Pradesh has 2,736 unbanked villages with a population of over 2,000<sup>21</sup> and 2,338 unbanked villages with populations between 1,600 to 2,000<sup>22</sup>. The insatiate demand for financial services among the poor is vast and largely overlooked. The primary reasons for financial exclusion in the past was a result of inadequate technology, insufficient reach and coverage, absence of targets and lack of sustainable delivery mechanism, viz. Business Correspondent. Regardless of the lack of ability of Banks to meet this historical demand, services required by the financially excluded remain the most essential in rural areas. Rural areas need to be supported on the demand side for FI (financial awareness and literacy), as well as on the supply side (availability of customised financial products and services).

#### *Coverage under PMJDY*

Pradhan Mantri Jan Dhan Yojana (PMJDY) has greatly complimented the Poorest State Inclusive Growth (PSIG) Programme. The two have promoted Financial Inclusion (FI) in the state by dovetailing together towards common goals. Their objectives are enabling low income and excluded households to derive real benefits from the FI schemes being offered at their doorstep.

Following the mandates under PMJDY, the task of covering all households with at least one Bank account was completed on 30 November 2014, two months before schedule<sup>23</sup>. As of March 2015, PMJDY had achieved 1.2 crore Bank account openings through Common Service Centres, Brick and Mortar Branches and Business Correspondents<sup>24</sup>. As of 26 August 2015, this jumped to 1.52 crore account opening, out of which 0.758 crore accounts are in rural areas and 0.762 crore in urban areas<sup>25</sup>.

**Figure 2: Percentage distribution of account opening methods**



<sup>21</sup> SLBC Madhya Pradesh, (2015). *List of Unbanked Villages allotted to Banks in Madhya Pradesh having population 2000 and above*. [online] Available at: <http://www.slbcmadhyapradesh.com/pdf/village2.pdf> [Accessed 3 Aug. 2015].

<sup>22</sup> SLBC Madhya Pradesh, (2015). *List of Unbanked Villages allotted to Banks in Madhya Pradesh having population 2000 and above*. [online] Available at: <http://www.slbcmadhyapradesh.com/pdf/village2.pdf> [Accessed 3 Aug. 2015].

<sup>23</sup> SLBC Madhya Pradesh, (2015). *156th Meeting of the SLBC Madhya Pradesh*.

<sup>24</sup> SLBC Madhya Pradesh, (2015). *157th Meeting of the SLBC Madhya Pradesh*.

<sup>25</sup> Pradhan Mantri Jan-Dhan Yojana, Ministry of Finance, (2015). *Madhya Pradesh*. [online] Available at: <http://www.pmjdy.gov.in/account-statistics-state.aspx?2JyIUf16kWaWG9JovHo9lA%3D%3D> [Accessed 20 Aug. 2015].

With a population of 7.26 crore, over 20% of Madhya Pradesh's entire residents are now covered with a PMJDY account. The total share of account openings completed by Business Correspondents is a testament to the vital role of BCs in the overall scheme.

Perhaps the greatest advantage in extending financial services to the unbanked are conceived from the Government of India's plans to route the social security payments through the banking network by leveraging on the Aadhaar Enabled Payment System based platform. Three Social Security schemes were launched by the Prime Minister which required customers to have a savings account. The scheme requires accounts opened under PMJDY with satisfactory operation / saving / credit history<sup>26</sup>.

The three schemes include:

- **Pradhan Mantri Suraksha Bima Yojana (PMSBY)** – for accidental Insurance will be made available to people between 18 - 70 years of age with Bank account for a premium of Rs 12 per annum. The insurance provides risk cover up to Rs 2 Lakhs. Individuals who have opened account between 15th August 2014 to 26th January 2015, and use their RuPay card at least once in 45 days, are eligible for life insurance.
- **Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)** – will be made available to people between 18 - 50 years of age at a premium of Rs 330 per annum. The risk cover extends to Rs 2 Lakhs in case of death for any reason
- **Atal Pension Yojana (APY)** – which provides a fixed minimum pension of Rs 1,000 to Rs 5,000 per month starting from the age of 60. The pension amount will depend on the monthly contribution by the employee and the age at which the employee and the age at which the employee subscribes the insurance. The APY would be launched from 1st June, 2015<sup>27</sup>

## ***Banking sector efforts in achieving financial inclusion***

The Indian model adopted to address FI is based on a Bank-led model, which seeks to leverage technology as an enabler. As such, the entire banking community in India took an active role in meeting PMJDY mandates. The schemes pertaining to financial inclusion have forced Banks to rethink, re-strategise, and expand outreach while reducing costs. This has led FI schemes being more focused and having greater accountability.

In order to ensure smooth roll out of the Government's Direct Benefit Transfer (DBT) initiative for social security schemes, Banks were required to open accounts for each household and to seed the existing and new savings accounts with Aadhaar numbers<sup>28</sup>. Furthermore, Banks are ensuring that there is a continuous process to

<sup>26</sup> Pradhan Mantri Jan-Dhan Yojana, Ministry of Finance, (2015). Scheme Details. [online] Available at: [http://www.pmjdy.gov.in/scheme\\_detail.aspx](http://www.pmjdy.gov.in/scheme_detail.aspx) [Accessed 19 Jul. 2015].

<sup>27</sup> Pradhan Mantri Jan-Dhan Yojana, Ministry of Finance, (2015). Welcome: JanSuraksha. [online] Available at: <http://www.pmjdy.gov.in/JanSuraksha/Default.aspx> [Accessed 10 Jul. 2015].

<sup>28</sup> Joshi, D.P. Dr., (2014). Speech delivered at a workshop organised by Government of Madhya Pradesh at New Delhi on January 24, 2014. [https://www.rbi.org.in/scripts/BS\\_SpeechesView.aspx?Id=871](https://www.rbi.org.in/scripts/BS_SpeechesView.aspx?Id=871) [Accessed 30 July 2015].

regularly issue RuPay cards. According to the 157<sup>th</sup> Meeting of the SLBC, Madhya Pradesh has achieved 100% progress under issuance of RuPay card for the accounts opened as of 26 January 2015<sup>29</sup>. This has improved from the last reported progress of 88% RuPay cards and 82% Passbooks issued to the customer as of 2 February 2015<sup>30</sup>. However, some customers are unable to use their cards because of compatibility issues. Accordingly, some Banks have been asked to upgrade their devices to 1.5.1 compliant in order to meet requirements of the RuPay card.

All Banks are required to prepare Board approved Financial Inclusion Plans (FIP) which is used by the Reserve Bank of India to measure performance under FI targets. The first phase of FIPs was implemented over the period of 2010 to 2013 which created a large banking network<sup>31</sup>. Under the second phase, targets were given to each Private, Public and Regional Rural Banks to achieve financial inclusion targets to unbanked villages allotted to them with a population of 2,000 and above.

The PMJDY scheme introduced in August 2014 was a paradigm shift in India. The requirements under financial inclusion started by ensuring banking services in villages with populations of 2,000 or more to ensuring universal access to banking facilities with at least one basic banking account for every household in each state. The focus under the next phases of PMJDY will now shift towards leveraging the banking network created for extending other products, namely credit and insurance.

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<sup>29</sup> SLBC Madhya Pradesh, (2015). *157th Meeting of the SLBC Madhya Pradesh*.

<sup>30</sup> SLBC Madhya Pradesh, (2015). *157th Meeting of the SLBC Madhya Pradesh*.

<sup>31</sup> Joshi, D.P. Dr., (2014). Speech delivered at a workshop organised by Government of Madhya Pradesh at New Delhi on January 24, 2014. [https://www.rbi.org.in/scripts/BS\\_SpeechesView.aspx?Id=871](https://www.rbi.org.in/scripts/BS_SpeechesView.aspx?Id=871) [Accessed 30 July 2015].

## 4. About the study and research methodology

### *Poorest State Inclusive Growth (PSIG) Programme*

*Poorest State Inclusive Growth Programme* is an initiative supported by the Department for International Development (DFID) UK. It aims at enabling the poor masses in eight low-income states of India to benefit from improved access to financial network. The anticipated impact is to enhance the income and employability of the underprivileged, and minimise their financial vulnerability. The programme until now has been implemented in the states of Madhya Pradesh, Uttar Pradesh, Odisha and Bihar. The programme is being implemented by Small Industries Development Bank of India (SIDBI), an apex Development Financial Institution promoted by the Government of India.

The programme is implemented over six years and has a special focus on financial empowerment of women. The key thematic areas focused in the initiative are:

- To facilitate financial organisations such as Banks and microfinance institutions to extend their services in remote areas through CB grants, patient capital or technical assistance.
- To supplement microfinance programmes with training for women to bolster their knowledge and build confidence in the financial services.
- To make the policy environment for microfinance congenial for business in the low-income states through promoting studies.
- To fund sustainable approaches in microfinance that are suitable for the poor and are aligned with the programmes of the government.

### *Need for the present study*

Banks operate a number of channels through which they deliver services such as Brick and Mortar branches, ATMs and Internet Banking. However these channels have not been able to address the large scale financial exclusion problem in India. In January 2006, Reserve Bank of India issued a new set of guidelines, allowing Banks to employ two categories of intermediaries- Business Correspondents (BCs) and Business Facilitators (BF) to expand their outreach. While RBI has oversight and regulatory responsibilities of BC channel, Banks are responsible for the acts of their BCs. The new channel works through a process of collaboration with Technology vendors, BCs and Customer Service Points (CSPs), who are set up by the BCs. The experience of different BC models so far has been mixed and there is a general consensus that the scheme has not taken off in the way it was envisioned. With the initiation of PMJDY, coverage has been ensured by far in almost all villages. This however

applies only to the opening of accounts; the full potential of the BC model is yet to be achieved, on account of various challenges such as unattractive incentive structure, low transaction volume, high volume of zero balance accounts, etc. These challenges could be varied and contextual in nature, based on the environment in which a BC operates. While there are several studies on status of BC model and viability there are none which analyse critical success factors for individual BCs or customer service points.

The present aims to critically analyse the success factors for individual BCs or Customer Service Points, which will feed into actionable recommendations to improve its effectiveness.

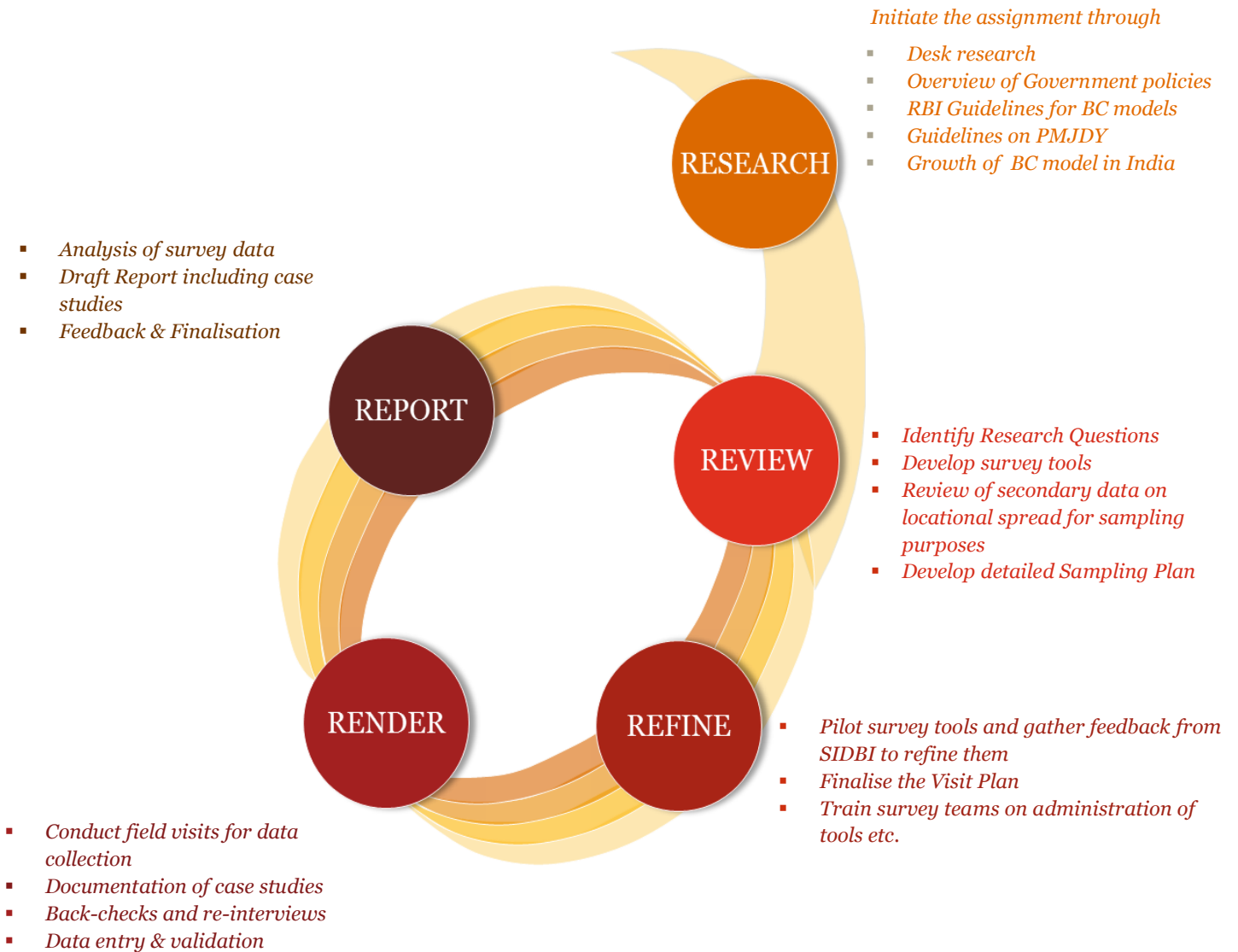
## ***Research objectives***

The core objective of the present study was to have a detailed understanding of the landscape of financial inclusion under BC model and identify key success factors at individual level, in the state of Madhya Pradesh. In line with the core objective of the study, the key research objectives in this perspective are:

- *to understand the status of the Bank-BC channel, opportunities and key constraints in MP*
- *to identify and assess successful models/institutions in MP in terms of their institutional strength and weaknesses to achieve scale and sustainability and document institutional critical success factors*
- *to identify successful corporate BCs and document their structure and experience as case studies*
- *to identify successful CSPs for each of these models and document their experience as case studies and identify critical success factors*
- *to identify issues and factors that contribute to success or failure and comment on both agent economics and Bank economics under the arrangement*
- *to identify capacity building needs to make BC agents effective in their operations*
- *to provide suggestions on improving the effectiveness of the BC model - Phase II of PMJDY*

## Research framework and methodology

Figure 3: PwC’s 5-R approach towards the study



## Target respondents

The study was conducted with all the important stakeholders in the BC model. These were done to understand the view point at different level, their knowledge of the financial inclusion process and expectations of different stakeholders. Interactions were conducted with the following key stakeholders:

- Business Correspondents (BCs)

- Clients of Business Correspondents
- Corporate BCs
- Other Stakeholders (Banks, DIF)

While Business Correspondents were probed for value and volume of transactions, payments and commissions, implementation challenges, viability and sustainability of the model; clients were asked for their level of trust with BC model and its impact on enabling them to avail financial services at their doorstep. The other stakeholders were consulted in order to have policy level overview of the model and its effectiveness in meeting the overall goal of financial inclusion.

### ***Sampling methodology and sample size***

The sample for the study was based on secondary information on the spread of Business Correspondents in the state. Recent information was collected on the spread of number of BCs appointed in the state at the district level and further segregated by type of Banks (Public sector Banks, Private sector Banks & RRBs) in order to develop the sampling universe. This sampling process was developed in order to have complete representation in the final sample.

The sample included stakeholders across the continuum of delivery of financial services through the BC model; enabling corroboration of information from all sources. The present study adopted a mixed-method research methodology, including both quantitative and qualitative research approaches.

**Quantitative research approach:** Information from Business Correspondents and their clients was collected through quantitative research methods. Sample for quantitative component of the study was generated through multi-stage stratified random sampling approach. Stratification of sample was done by district and type of Bank to draw out a representative sample. Sample for clients was linked to that of BCs, in way that five clients of each BC was selected and interviewed.

**Qualitative Component:** The sample for the qualitative component included stakeholders across the chain of service delivery for the BC model. Interactions were conducted with policy makers, implementation partners, technology partners and POS operators.

A multi-stage stratified sampling approach was adopted to select the respondents for the present study. Different approaches were adopted to sample each category of respondents. The stages for selection of respondents are explained below.



## A. Business Correspondents

### Stage 1: Stratification by type of Banks

As a first step, the sample was stratified according type of Banks operating in the state of Madhya Pradesh BCs were segregated as per private sector Banks, public sector Banks and regional & rural Banks (RRBs). Information on the spread of Business Correspondents in the state segregated by individual Banks was collated from the *State Level Banker's Committee, Madhya Pradesh*.

A proportionate sample was drawn based on actual representation of number of BCs by type of Bank in the overall universe. For example, if the number of BCs from RRBs constituted 30% of the overall universe, a sample of 30% was selected from BCs representing RRBs. This allowed the sample to be self-weighted and the results from the survey could be projected for the entire state. According to the latest data collated from SLBC, close to two third of BCs in the state were associated with Public sector Banks, while around 31% were with RRBs and the remaining around three percent were associated with Private sector Banks (Table 1).

**Table 1: Distribution of BCs appointed by type of Banks in Madhya Pradesh**

Type of Bank	Number of BC appointed	Proportion of total of BCs
Private	281	3%
Public	6,806	66%
RRB	3,176	31%
<b>Total</b>	<b>10,263</b>	<b>100%</b>

In the overall sample selected for the quantitative component, the proportions were rounded off to 10% for Private Banks, 60% for Public Banks and 30% for Regional and Rural Banks.

### Stage 2: Stratification by districts

In order to draw out representative samples of Business Correspondents, the second level of stratification was done for districts. The state of Madhya Pradesh has 51 districts (Census 2011) and is spread across ten administrative divisions. Selection of districts was done in consultation with DIF and SIDBI, with an approach to cover districts spanning across all administrative regions in the state. The key parameters deliberated during the selection of districts were (a) representation from urban-rural areas, (b) high population of SC/ST in a district, (c) districts which have performed better in the past few months in financial inclusion, and (d) traditionally backward districts to understand the level of financial inclusion, challenges of accessing banking services, financial literacy and capacity-building needs. The list of districts that were covered in the study is shown in Table 2.

**Table 2: List of districts covered in the study**

S. No.	District	Division
1.	Bhopal	Bhopal
2.	Rajgarh	Bhopal
3.	Datia	Gwalior
4.	Barwani	Indore
5.	Jhabua	Indore
6.	Balaghat	Jabalpur
7.	Jabalpur	Jabalpur
8.	Sheopur	Morena
9.	Betul	Narmadapuram
10.	Rewa	Rewa
11.	Panna	Sagar
12.	Tikamgarh	Sagar
13.	Shahdol	Shahdol
14.	Mandsaur	Ujjain
15.	Ujjain	Ujjain
16.	Vidisha	Bhopal

### Stage 3: Selection of Banks

Banks for each category were selected based on the number of Business Correspondents deployed by them. Priority was given to those Banks in each of the three categories that have deployed more Business Correspondents to deliver financial services.

The selection of Banks was done in close consultation with DIF and SIDBI to ensure that any important entity which has contributed significantly to financial inclusion through the BC model was not left out. Based on the discussions and suggestions provided by DIF and SIDBI, a total of 15 Banks were selected in the present study (Annexure 1).

### Stage 4: Selection of Business Correspondents

The list of Business Correspondents in the districts selected for the present study was collected from the Banks and was ensured that the list is updated as on date when data was shared. From among the list of Business

Correspondents segregated by type of Bank, sample was selected through simple random sampling. A total of 350 Business Correspondents were sampled to be interviewed in the present study.

## B. Clients

Once the Business Correspondents to be interviewed were sampled, selection of clients for each of them were done on a random basis. Since data for clients at individual level was not available at a central location, clients were randomly selected at the village / SSA level. All efforts in this stage were made to have gender balance in the sample, to the best extent possible. A total of 1,750 clients were interviewed who were associated with the 350 Business Correspondents selected in the present study.

A detail of sample covered in the present study is mentioned in the table below.

**Table 3: Distribution of sample covered across districts**

District	Number of BCs interviewed	Number of clients interviewed	Percentage of sample
Balaghat	12	60	3.4%
Barwani	19	95	5.4%
Betul	15	75	4.3%
Bhopal	21	105	6.0%
Datia	25	125	7.1%
Jabalpur	22	110	6.3%
Jhabua	10	50	2.9%
Mandsor	13	65	3.7%
Panna	26	130	7.4%
Rajgarh	33	165	9.4%
Rewa	23	115	6.6%
Shahdol	20	100	5.7%
Sheopur	23	115	6.6%
Tikamgarh	43	215	12.3%
Ujjain	30	150	8.6%
Vidisha	15	75	4.3%
<b>Total</b>	<b>350</b>	<b>1750</b>	<b>100%</b>

## *Analytical framework*

The present study was formulated to have evidence based assessment of the landscape of financial inclusion. Such an approach requires a holistic approach so as to ensure that all data points are captured. To provide for policy level recommendations, it was deemed essential to have an analytical framework, which outlines the key

outcomes from the study and ensures that such objective data is gathered for assessment. Having a clear analytical framework is a key element for ensuring the success of financial inclusion policies. This framework can help identify specific situations of financial exclusion, analyse the role played by various providers of financial services, and design and assess the policy responses. A list of indicators were prepared in selected buckets of broader areas of enquiry.

A thorough literature review was done so as to understand the key parameters of financial inclusion. Deliberations with key stakeholders was also done so as to contextualise the entire process for the state of Madhya Pradesh. The major areas of enquiry identified for the assessment of the landscape of financial inclusion which fed in the development of the analytical framework were:

1. *Accounts and Clientele*
2. *Coverage*
3. *Transactions*
4. *Institutional Capacity*
5. *Technology Usage and Support*
6. *Financial Literacy Efforts and Capacity Building*
7. *Viability and Sustainability*

Once the key areas of enquiry were identified, a set of indicators were then developed to objectively quantify each dimension. The analytical framework aimed to provide a 360 degree approach for assessment of BC models, and is objective and measurable in nature.

A snapshot of the key areas of enquiry and indicators identified under each of them is mentioned in Annexure 2.

## 5. Assessment of BCNMs

PwC team conducted interviews with leading Banks that operate in Madhya Pradesh and identified the top BCNMs that work on behalf of each Bank. Structured interviews were then conducted with the concerned management of these BCNMs (directly involved with PMJDY through the BC model) in order to have an in-depth understanding of their institutional profile, success factors, concerns they have, support they need from banks and overall sustainability.

The BCNMs profiled in detail included NICT, AISECT, FINO Paytech and DSK Digital. A detail profile of each of them is discussed in the ensuing sections of this report.

# Network for Information and Computer Technologies (NICT)

## Introduction

Network for Information and Computer Technology (NICT) was established in 1995 by a group of entrepreneurs working in the field of information technology. The motto of NICT is to spread the benefits of information technology to the masses, especially to the rural poor. NICT offers a range of IT solutions related to software, hardware, networking, or delivering IT enabled services and solutions using a combination of quality people, tools and best practices.

NICT ventured into financial inclusion as a Corporate Business Correspondent in the year 2001. Initially they got associated with State Bank of India (SBI) in their financial inclusion programme. They started from Indore, Madhya Pradesh and then moved to Chhattisgarh as business facilitators for SBI. At present, they have extended their operations with offices in 14 states, including North eastern states. They are one of the major player in financial inclusion in Madhya Pradesh and are associated with major public sector and regional & rural banks in the state. They are the national Corporate Business Correspondents for State Bank of India, Bank of India and Bank of Baroda. A summary of their institutional profile is provided in the table below, which is explained in the ensuing sections.

**Table 4: Summary of operations of NICT in Madhya Pradesh**

Parameters	NICT
Year of starting operations in MP	2001
Presence in India	14 states and 472 districts
Presence in MP	All 51 districts
Associated banks in MP	State Bank of India, Bank of India, Bank of Baroda, Narmada Jhabua Gramin Bank and Madhyanchal Gramin Bank
Technology used	Both kiosk based and POS device
Technology support	Does not have an in-house technology support, outsourced from TCS
Number of BCs in MP	3,271
Proportion of female BCs	20%
Total accounts opened in MP	67,14,895
Proportion of non-zero balance accounts	65%
Proportion of accounts issued a RuPay Card	70%
Proportion of accounts in receipt of PIN number	40%
Proportion of accounts linked with Aadhar	25%
Average number of transactions per BC per day	45

Average monthly income of BCs	Rs 3,000
Average number of clients per BC	2,053

## ***Mobilisation of financial resources***

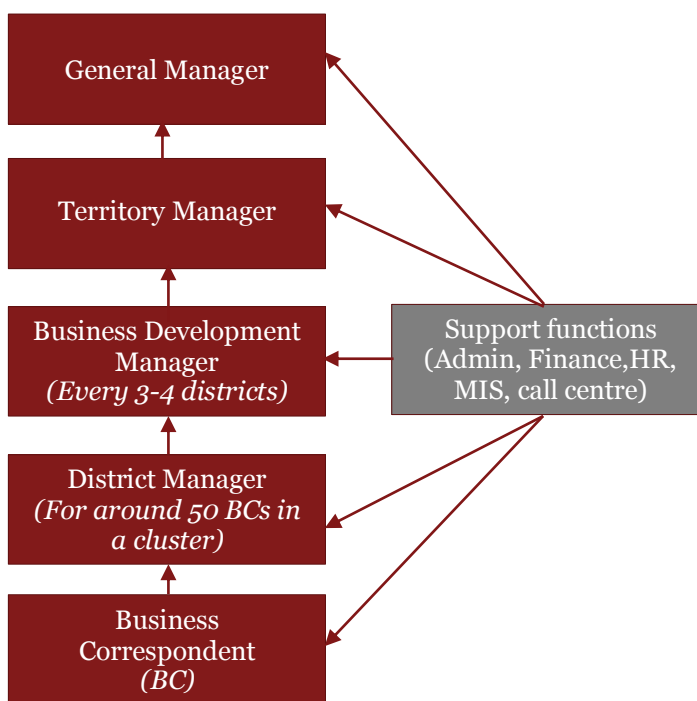
NICT works on distributed capital. The organization is purely entrepreneur mindset and funds are managed by capital generated in each revenue cycle, which is then plugged in the implementation of a project.

The major sources of revenue for them are corpus funding revenue generation from their own operations. Near about 80% of revenue generated is reinvested in project operations whereas 20% is retained as capital reserve / corpus with the organization. They have a multi-level entrepreneurship model, wherein 80% of the revenue is distributed among stakeholders to meet the operational cost whereas remaining 20% is retained for project monitoring and control.

## ***HR Systems***

### ***Organisational structure for financial inclusion***

The organisational structure of NICT for financial inclusion is set up with a view to have appropriate mentoring of business correspondents and monitoring of their operations. They have a hierarchical structure in place with roles and responsibilities defined at each level. The work of business correspondents is supervised by a District Manager stationed at block/district headquarters. Every geographical cluster with around 50 BCs has one District manager. They directly supervise the work of BCs and make regular visits to kiosks. They are the first point of contact for BCs and are provided adequate training to provide solutions for day to day issues. For every 3-4 districts, there is a Business Development Manager (BDM) whose is



responsible for monitoring and motivating the district managers and BCs both. Higher up in the ladder is a Territory Manager who reports to the General Manager of the firm.

Apart from the managerial functions, NICT also has support functions which includes Admin, Finance, HR and MIS. These support functions are centrally located in the Indore Head office and cater to all state offices.

## Number of staff

There are a total of 3,271 business correspondents associated with NICT in Madhya Pradesh, of which 20% are females. They prefer recruiting females as BCs, but since the job involves a lot of travelling in the assigned territory to visit clients and the bank, it makes it difficult for females to join.

They have a staff strength of 74 people to manage FI operations. These staff members are stationed at district offices and at the head office in Indore, and provide continuous assistance to BCs in managing their day to day operations. A detail of number of staff at different levels is shown below.

District Managers	Business Development Manager	Territory manager	Call Centre executives	Finance and Accounts	MIS executives	Domain Head	General Manager
45	7	2	8	6	3	2	1
<b>Total: 74 staff members</b>							

## Recruitment and selection of BC

The process of selection of BCs at NICT start with giving an advertisement in local newspaper(s) and making announcements through mobile vans in villages. They also have a network of district managers who have knowledge and access to local resources. The initial recommendations for BCs are sought from district managers and inputs from local bank branch is also solicited.

They make it mandatory for the applicant to have completed education till class 12<sup>th</sup> at least and proficient in using computers. Preference is given to those who have a working capital of Rs 50,000 to invest in the business. Eligible candidates are first interviewed by the district managers and then at their head office in Indore, before they are finally selected.

**बैंकिंग कियोस्क खोलना है**

एनआईसीटी को भारतीय स्टेट बैंक द्वारा बिजनेस कंसेप्टिड नियुक्त किया गया है। एनआईसीटी को मध्य प्रदेश राज्य में बीमच जिले के प्रत्येक नगर विनाम वार्ड, तहसील स्तर एवं 1000 या इससे अधिक की जनसंख्या वाले गांव में भारतीय स्टेट बैंक के बैंकिंग कियोस्क खोलना है।

**बैंकिंग कियोस्क क्या है** -> यह केन्द्र स्टेट बैंक के लिए कस्टमर सर्विस पॉइंट के रूप में कार्य करेगा जहां पर विभिन्न प्रकार की बैंकिंग सेवाएं उपलब्ध होंगी जैसे खाते खोलना, खाते में लेनदेन करना। विभिन्न प्रकार के लोन जैसे किसान क्रेडिट कार्ड, ट्रेन्टर लोन, कार लोन, गोल्ड लोन, सीसी लिमिटेड, एफडी (टीडीआर), आरडी सोर्सिंग एवं अन्य बैंकिंग कार्य।

यदि आप 12वीं पास हैं एवं कंप्यूटर का अनुभव रखते हैं तो आप अपने क्षेत्र में स्टेट बैंक ऑफ इंडिया का बैंकिंग कियोस्क संचालित कर अपना व्यवसाय शुरू कर सकते हैं।

**निम्न को प्राथमिकता दी जावेगी**

- रिटायर्ड बैंक अधिकारी या कर्मचारी
- रिटायर्ड सेना अधिकारी या सैनिक
- रिटायर्ड अध्यापक
- कंप्यूटर सेंटर
- निजि विद्यालय
- एनजीओ/सेल्फ हेल्प ग्रुप
- STD/PCO
- किराना दुकान
- मोबाईल रिचार्ज दुकान
- शेयर टर्मिनल
- मेडिकल स्टोर
- बीमा व्यवसायी व्यक्ति
- महिलाएं

संपर्क स्थान: अमृत पैलेस होटल एवं रेस्टोरेन्ट, फव्वारा चौक, बीमच (म.प्र.)  
संपर्क समय एवं दिनांक: सुबह 10 से शाम 6 बजे तक, 3 एवं 4 अप्रैल 2013  
संपर्क: पुणेन्द्र गांधी (बिजनेस डेवलपमेंट मैनेजर) - 7879846620  
केमव बैरगौड़ी (जिला प्रबंधक) - 9893266816

**नीमच जिले के ब्लॉक एवं गांव जहां पर केन्द्र खोलना है**  
नीमच, जावद, मनासा

**एनआईसीटी हेड ऑफिस**: एफएफ 21, स्क्रीन नं 54, विजय नगर, फॉर च्युन लैंडमार्क होटल के सामने, इन्दौर (म.प्र.)  
वेबसाईट: www.nict.co.in फोन नं - 07314098060

The present advertisement is for SBI specific. NICT has such advertisements for all associated banks

## Capacity Building of Business Correspondents

An initial induction training is provided to all BCs who join NICT and is conducted by district managers. It provides basic information about operating a kiosk/POS device, opening zero balance accounts, other deposit



accounts such as Flexi RD/FD, registration of application received under the scheme launched by PMJDY and money transfer, etc. Detailed information is also given about schemes launched under PMJDY.

Apart from induction training at the beginning, BCs are called for meetings at district headquarters to provide information on new products and offerings. These meetings have no fixed schedule and happen on a need basis, whenever a new product is launched. Trainings to provide in-depth knowledge on financial literacy to BCs are less frequent. During the meetings with BCs, they are asked to minimise number of zero balance accounts, so that they can increase their earnings. The BCs are asked to motivate their clients to keep a minimum balance of Rs 500 in their accounts, so that both NICT and the BC can benefit monetarily.

### *Grievance Redressal*

There is a structured grievance redressal mechanism at NICT for a prompt response to problems raised by BCs. The issues which are raised on a day to day basis relate mostly to delay in payments, technological issues like connectivity and software problems, delay in Aadhar seeding, lack of cooperation from link bank branch, etc. They have a toll free number wherein a BC or their client can call to clarify their issues. In most cases the issues are resolved by the tele callers; in case not, then BCs can seek clarifications over SMS or e-mail.

### *Technology Platform for FI services*

NICT uses both kiosk based and POS based models, depending on the partnering bank and the geography to operate. In deeper areas where electricity and connectivity is a challenge, they prefer to use a POS machine as it can be easily carried over long distances. They however mention the fact that a kiosk based model is always preferable as it instills more trust in the end consumer. NICT does not have an in-house technology platform and the same is outsourced from TCS. The devices are procured from different private vendors, the cost of which is charged to BCs. They provide the devices to BCs on a cash investment which is refundable in nature.

### *Revenue sharing model*

NICT works on a revenue sharing model wherein 80% of the overall income of a BC is passed on to them and the rest 20% is retained by NICT. The fixed component in the salary is on discretion of the bank and it differs from one bank to another. In most cases, BCs are provided a fixed component for the initial six months, after which only commissions are provided. NICT is of the opinion that this revenue sharing model is not sustainable in nature and its viability is compromised once new account opening gets saturated.

### *Clientele, Coverage and Service offerings*

#### *Clientele*

NICT had a slow start in the beginning and struggled to establish themselves as a Corporate BC. The number of accounts have increased significantly in the recent past since the start of PMJDY. At present they have close to 67 lakh accounts in the state of Madhya Pradesh. Of these around 65% are active accounts with at least one transaction in a month. Around 70% of their clients have received RuPay cards and close to 40% have also got

their pin numbers. Close to 25% of the accounts have been linked to Aadhar and they are continuously following up with their BCs to fasten this process.

A list of banks with which NICT is associated in MP, along with details of number of accounts and BCs is provided in Table 5 below (status as on September 2015).

**Table 5: Number of accounts and BCs across banks with which NICT is associated in MP**

<b>Name of Bank</b>	<b>Type of Bank</b>	<b>No. of accounts</b>	<b>No. of BCs</b>
State Bank of India	Public	50,17,080	1,460
Bank of India	Public	10,49,800	620
Bank of Baroda	Public	88,550	170
Narmada Jhabua Gramin Bank	RRB	3,38,606	424
Madhyanchal Gramin Bank	RRB	2,20,859	597
<b>Total</b>		<b>67,14,895</b>	<b>3,271</b>

### *Coverage*

NICT started its operations as a corporate BC from Indore, Madhya Pradesh in 2001. At present, they have spread their operations across all 51 districts in Madhya Pradesh with offices in 13 other states, including North East. Currently, they have presence in 472 districts across India which includes 46 districts from North East. In future, NICT aims to widen their reach as they seize the opportunity to get associated with more regional and rural banks in other states than Madhya Pradesh.

### *Services provided*

As a Corporate BC, NICT provides key banking services to the urban and rural poor. They are involved in financial inclusion for more than a decade and have fair understanding of the business. They started with opening of basic savings bank account and regular transactions, and have now diversified to other banking services as well including fixed deposits, remittances and insurance. Under the ambit of financial inclusion, the services rendered by NICT include:

- *opening of accounts (savings, recurring deposit)*
- *fixed deposits and life/accidental insurance,*
- *issuance of RuPay Cards to account holders,*
- *information regarding account balance to clients,*
- *regular transactions (withdrawal and deposit of cash)*
- *Money Transfers (remittance),*
- *IMPS and Aadhar enabled money transfers (AEPS)*
- *MUDRA loans (up to Rs 50,000)*
- *seeding of accounts with Aadhar*

## ***Provisions for risk mitigation***

One of the prime concerns in financial inclusion is ensuring consumer protection, while addressing risks of fraud and money laundering. To have a sustainable business in the long run, it is critical to have a risk based approach to identify and mitigate risks at an early stage. To gain understanding at a firm level, we also analysed the inherent approach of NICT towards mitigating business risks.

NICT classifies business risk in day to day business in two major categories of technology based and intentional fraud. A detail of both of them, with scenarios and mitigation measures adopted is discussed below.

### **1) Technology based**

These cases may relate to any of the following instances:

- *money is debited from the account of clients but they did not receive the cash*
- *customer makes a deposit but is not credited into the account*
- *amount in the account of a client does not tally with the statement*
- *any other transaction failures*

Any such issue reported to NICT is escalated to the respective bank for corrective actions. As these issues do not concern NICT directly, reconciliation has to be done by the bank only. But, NICT does help in raising the issue to the bank and also follows up with them to speed up the mitigation process.

### **2) Intentional fraud**

These cases may relate to any of the following instances:

- *overcharging by money is debited from the account of clients but they did not receive the cash*
- *customer makes a deposit but is not credited into the account*
- *amount in the account of a client does not tally with the statement*

NICT generates awareness among the clients to report such cases either to the District Managers or to their head office in Indore. Any such complaint about a BC for malpractice is considered on an urgent basis. A fact finding team from the head office verifies the complaint about the BC by interacting with the client, district manager and the local bank officials. In case the complaint is validated, primary focus is on recovery of money. Help from local bank officials and panchayat members is sought in this regard. Once recovery is done, in most of the cases, the BC is replaced in consultation with the local bank officials.

## ***Quality Assurance***

NICT has a guideline for maintaining quality in delivery of services, which is agreed upon with every bank at the time of contracting. District managers play an important role in ensuring adherence and compliance to quality standards on the ground by BCs. They make regular visits to kiosks and interact with the clients and local bank branch officials to get feedback about the service delivery of BC. They also encourage clients to report any issues they face with a BC over the toll free number, which puts extra pressure on the BC to maintain quality.

They also conduct internal and external audits on a regular basis. Process audits and internal reviews look into adherence to timelines and operational benchmarks established within the firm. In addition, they also have provision for a third party statutory audit which is conducted every quarter. Such audits help them benchmark their services and ensure quality in their offerings.

## ***Critical Success factors***

NICT has been operating in the area of financial inclusion for more than a decade with extensive experience in Madhya Pradesh. Over the years the organization has built upon their experiences in the state and have also replicated the model in other regions of the country. The critical factors which have led to their success are mentioned as under.

<b>01</b>	<b><i>Involvement of senior management in day to day operations</i></b>	<i>Day to day operations is managed very closely by senior management. They have regular meetings to take note of progress and issues.</i>
<b>02</b>	<b><i>Stringent procedure for BC selection</i></b>	<i>Supervised by district managers and finalised by senior management.</i>
<b>03</b>	<b><i>Structured grievance redressal system</i></b>	<i>They have a dedicated team which address to grievances. Have a toll free number and also have SMS and e-mail systems in place.</i>
<b>04</b>	<b><i>Extensive experience and geographical knowledge</i></b>	<i>Operating for more than a decade in MP and has extensive geographical knowledge.</i>
<b>05</b>	<b><i>Regular trainings for in-house team members and to BCs</i></b>	<i>Induction training to BCs and regular trainings on a monthly basis are organized to motivate BCs to enhance commissions.</i>
<b>06</b>	<b><i>Strong back office operations and MIS</i></b>	<i>Have a dedicated MIS team in Indore to continuously track and monitor progress across all states.</i>
<b>07</b>	<b><i>Access to alternate sources for working capital</i></b>	<i>Manages working capital from other operations of the organization, which helps in financial risk mitigation.</i>
<b>08</b>	<b><i>Status of national BC for leading government banks</i></b>	<i>Status of national BC for SBI, BOB and BOI has helped a great deal in expanding operations, increasing volumes and building trust.</i>

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## ***Areas of concern for effective implementation***

### **1. Retention of BC**

NICT mentions that they face challenges in keeping a motivated enough and stick to the system for long, as account opening comes to saturation in the assigned territories. The primary reason for this is a decline in income as transactions are few in rural areas. During the initial six months, when BC also receives a fixed component in their salary, they are motivated enough. As soon as the fixed component is withdrawn and the only source of income is commissions, they find it tough to sustain.

In other cases, especially in the tribal and forest areas of the state, where villages are far away from district / block headquarters, they find it tough to recruit a qualified BC, and sometimes have to compromise with the available resource. In such case, they have to retain a non performing BC, because business in itself in a particular region declines over a period of time, with no options for replacement available.

### **2. Non-payment of fixed salary to BC**

When PMJDY was launched, it mandated that all BCs will be paid a fixed monthly salary of Rs 5,000. This was one of the major factor to attract the best talent to get involved in financial inclusion. But, later on, as the scheme was rolled out, the fixed component was decided upon by the bank on an individual basis and in most cases provided for initial six months only. They mention that most of the BCs have come back to them and complained about this that they need support to sustain, especially in deeper pockets of the state. Non-payment of fixed component of the salary is a major operational deterrent.

### **3. Technological Issues**

Internet connectivity is an area of concern especially in the deeper pockets of the state. During peak seasons when money from government schemes is credited into accounts, loss of internet connectivity is a big operational deterrent. Additionally, they mention that they get regular queries regarding server failures. Servers of banks either slows down or stops working on a regular basis, during which a BC has to close down operations.

### **4. Financial capacity and revenue sharing**

NICT is of the opinion that they need to make considerable investments at their own end in managing day to day operations, in the areas of MIS, HR, trainings, resource management, etc. In their view, the current revenue sharing model of 80% (CSP):20% (Corporate BC) is not adequate to manage all operational expenses. They are not paid any additional grant from the bank to conduct trainings of BCs, the cost of which is directly borne by them. They mention that lack of financial support from the bank/government limits their capacity to perform, especially to provide regular trainings to BCs on financial literacy.

## ***Areas where support is needed from banks***

Interactions with Corporate BCs suggested that to sustain in the long run, they need additional support from banks in terms of technology, processes and building capacities. At present Corporate BCs are more focused on account opening and increasing the last mile coverage. The areas where NICT would seek support from the banks are mentioned below.

- 1. Visit of bank officials to kiosks:** The branch manager at the link bank is supposed to make weekly visits to the kiosks in the region assigned. NICT mentions that this does not happen at present and the frequency of visits by bank officials is much less. They are of the opinion that visit of a bank official motivates the BC to work at their best and also helps build trust among clients. It is important that bank officials visit the kiosks on a regular basis as it helps detect fraud and keeps a check that BC does not engage in any malpractice. This also increases the footfall at the kiosk as confidence among client increases.
- 2. E-KYC in all banks:** NICT mentions delay in account opening because of the time it takes for the bank manager to approve know your customer (KYC) documents. Rural branches are understaffed and overloaded with work and lay less emphasis on verification and uploading of KYC documents. The dependency on the bank delays the overall process. NICT mentions that there should be e-KYC in all banks, which is at present only in State Bank of India. This will help reduce the delay in the overall process.
- 3. Awareness at the bank level for financial inclusion:** NICT mentions that awareness about financial inclusion needs to be increased at the rural bank branches. At present, NICT opines that bank officials consider financial inclusion as an additional work and not in the usual course of business. The priority of financial inclusion for them is less among other tasks and the BC is supposed to handle it on their own. NICT suggests that more awareness and ownership by bank officials will help a great extent in strengthening of the overall process.
- 4. Smooth functioning of bank servers:** NICT mentioned that server failure (*of all banks*) is a key technological challenge that they face on a daily basis. Failure of servers leads to withholding of work, sometimes for the entire day and also to client dissatisfaction. NICT is of the opinion that there needs to be solution to this on an immediate effect as it affects daily business.
- 5. More focus on recovery of NPA through BCs:** Recovery of NPA has the highest commission among all product offerings. NICT mentions that at present, it is not emphasized by the bank, but they are of the opinion that it has good business potential and will help BCs to be sustainable in the long run. It requires a BC to undertake a training to be a Debt Recovery Agent (DRA) before they can start recovery of NPA. At present, it is an ongoing process and NICT opines that this should be done on a faster pace and a mandate for NPA recovery should be given to each BC.

## ***Overall Sustainability***

NICT has been operating in the area of financial inclusion for over a decade and have gained significant experience in service delivery and managing operations. Over the years, they have built up their strength to manage challenges on the ground and have a risk based approach to service delivery. The business expansion has happened both horizontally and vertically in other ICT related domains, which adds to the financial strength of the firm and increases their ability to absorb financial shocks.

At present, they are associated with all major public sector banks and RRBs, which has helped them reach remote areas and build trust among customers. They believe a revision in current structure of remuneration and provision of fixed salary for BCs will help a great extent to ensure viability of BCs and sustainability of FI model. NICT has grown in size over the years and sustainability in the long run will not be an issue for them.

# FINO PayTech Limited

## Introduction

FINO PayTech Limited is one of the major players in the financial inclusion sector in India, offering services in the financial sector to customers across 28 states. The company was founded in 2006 with its head office in Mumbai and regional offices across the country. It began operating shortly after RBI permitted banks to appoint business correspondents in order to facilitate the process of financial inclusion in India. FINO is an institutional investor driven company owned by both international and Indian investors and is responsible for implementing technology solutions for an array of institutions like banks, micro-finance institutions, government entities, and insurance companies.

FINO's association with financial inclusion in Madhya Pradesh began in 2011. Over the years, the company has built partnerships with various banks in the state including ICICI Bank, Union Bank of India, Syndicate Bank, Central Bank of India, Oriental Bank of Commerce and Canara Bank. FINO operates using a Point of Sale (PoS) model that allows greater mobility to business correspondents as compared to the kiosk model, and the ability to reach out to more customers especially in remote areas. A summary of their institutional profile is provided in the table below, which is explained in the ensuing sections.

**Table 6: Summary of operations of FINO in Madhya Pradesh**

Parameters	FINO
Year of starting operations in MP	2011
Presence in India	28 states
Presence in MP	28 districts in MP
Associated banks in MP	ICICI Bank, Union Bank of India, Syndicate Bank, Central Bank of India, Oriental Bank of Commerce and Canara Bank
Technology used	PoS model (both online and offline)
Technology support	FINO (It is a technology service provider)
Number of BCs in MP	1,200
Proportion of female BCs	4%
Total accounts opened in MP	35,00,000
Proportion of non-zero balance accounts	30%
Proportion of accounts issued a RuPay Card	26%
Proportion of accounts in receipt of PIN number	21%
Proportion of accounts linked with Aadhar	NA
Average number of transactions per BC per day	NA
Average monthly income of BCs	NA
Average number of clients per BC	2,917



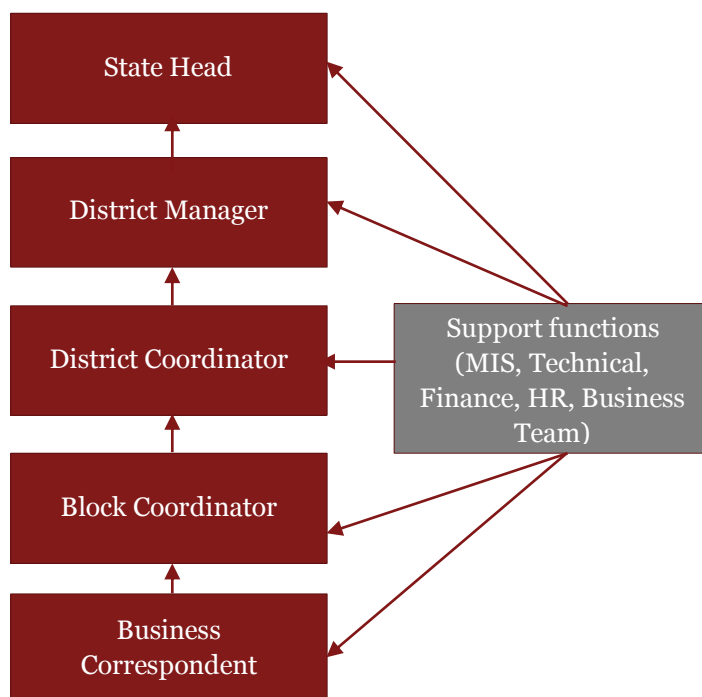
## *Mobilisation of financial resources*

FINO is an institutional investor driven company owned by both Indian and international investors. The investors include Corporation Bank, ICICI Bank, ICICI Lombard, Indian Bank, IFC, Intel Capital, Life Insurance Corporation of India, the Blackstone Group, and Union Bank of India. FINO finances their operations from received from their investors and from profits that they make through their own operations. They have a strong financial background considering the range of investors that they have. They are a financially stable company with sustainable source of funding from their investors and influx of profits back in the business.

## *HR Systems*

### *Organisational structure for financial inclusion*

FINO has a well-defined hierarchical structure in place with responsibilities clearly laid out for employees at each level (dealing with each individual bank). At the ground level, Block Coordinators are responsible for overseeing the activities of 20-25 business correspondents in a specified location. Their responsibilities include disbursement of cash, setting of targets, acquisition, and managing the flow of commissions from FINO to the business correspondents. They also play an important role in recruitment of BCs by identifying suitable candidates. Any concerns that the business correspondents face are first raised to the Block Coordinators before being escalated (if required). The Block Coordinators in turn report to District Coordinators who coordinate activities between bank and district administration.



District Coordinators report to District Managers who are in charge of activities like billing, product information and overall accounting. The State head leads the entire team involved in financial inclusion and holds the responsibility for growth and sustainability of the business.

The company is has different support functions, which include MIS (Management Information System), technical team, finance, HR (Human Resources) and a business team that provide support. Each of these entities provide undeterred support and play a crucial role in maintaining continuity in service delivery.

### *Number of staff*

There are a total of 700 business correspondents that operate on field in Madhya Pradesh exclusively for PMJDY, of which only around 4% are females. FINO states that since they use the PoS model for financial inclusion, as

business correspondents are often required to travel long distances to reach out to customers. A business correspondent travels somewhere between 10kms to 15kms every day, often in remote locations. This is a deterrent for women as safety is a concern.

Apart from business correspondents on ground, FINO has a total of 75 staff members<sup>32</sup> involved in financial inclusion in the state of Madhya Pradesh, which provides all support needed.

### *Recruitment and selection of Business Correspondents*

FINO follows a structured process for selection of business correspondents. The Block Coordinator is responsible for shortlisting candidates based on both educational qualifications and local knowledge. They make it mandatory that a candidate should have passed class 12<sup>th</sup> at least and should have a basic proficiency in using computers. Although sufficient training is provided to the business correspondents once they are selected, preference is given to candidates who have a technical background.

They give preference to local residents in an SSA while selecting a business correspondent. This helps in building trust and attracting more customers. They also look into the fact that any candidate to be selected must also be able to make an initial investment of Rs 15,000 in the form of a Fixed Deposit which serves as a security amount. Once a BC is selected, FINO does a thorough background check on the individual to ensure that there are no existing criminal records or accounts of malpractice.

### *Capacity Building of Business Correspondents*

Once a BC is selected, they undergo a basic training for a day where they are provided information on how to operate PoS device, services which they will be offering to clients and details of how to open accounts and conduct transactions. During the training, they emphasize on how to motivate customers to transact regularly and how this will have an impact on their earnings.

Efforts to increase financial literacy are also undertaken frequently at the business correspondent level and training is provided on any new product offerings. They also hold weekly meetings at the SSA level, wherein the block coordinator interacts with BCs. FINO is also closely involved with the Indian Institute of Banking and Finance for training and certification of its business correspondents. FINO incurs the initial cost of this training and the amount is reimbursed entirely if a business correspondent completes the course successfully. They have a thrust on importance of financial literacy to leverage the network of business correspondents to disseminate financial knowledge to low income customers across the state.

### *Grievance Redressal*

FINO have a structured response mechanism to address any complaint that they receive from either a BC or a client. A toll-free number is provided to all business correspondents and clients which can be reached on all

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<sup>32</sup> Detailed description of number of staff by levels and functions was not provided by FINO.

business days. Any issue which is reported to the call centre is directed to the concerned department for redressal. In most cases, executives at the call centre provides solution for issues related to day to day operations.

The first point of contact for the business correspondents to seek solutions fro any issue are the Block Coordinators, who are well trained to provide solutions or direct the issue to the concerned person/department.

## ***Technology platform for FI services***

FINO works on the PoS model to deliver services under financial inclusion. They have their in-house technology which they use in their PoS devices. The PoS device provided by FINO works in both online and offline modes. The biggest advantage of this model is that is allows greater flexibility and mobility to business correspondents and thus maximise their outreach.

Despite benefits of PoS model, FINO also acknowledges the fact that kiosk model has greater brand value and adds to the overall credibility and trust of clients in the business correspondent. A kiosk reassures customers that the business correspondent is in fact a representative of the Bank. FINO however has not considered switching to the kiosk model as they see mobility of banking correspondents to be a greater advantage than branding. Their focus lies on strengthening the existing model.

## ***Revenue sharing model***

FINO works on a revenue sharing model wherein 80% of the overall income of a BC is passed on to them and the rest 20% is retained by them. The fixed component in the salary is on discretion of the bank and it differs from one bank to another. In most cases, BCs are provided a fixed component for the initial six months, after which only commissions are provided. In the case of ICICI bank, they only have a fixed component of RS 4,000 and no commission is provided.

## ***Clientele, Coverage and Service offerings***

### ***Clientele***

FINO has opened a total of 35 lakh accounts in Madhya Pradesh till now. Of all the accounts, 26% have been issued RuPay cards so far and around 21% have received the PIN number that enables them to use this RuPay card. However, only 5% of account holders actively use it to access their accounts. FINO attributes this low percentage to the low levels of financial literacy among the customers. They mention that close to 45% of their accounts are inactive, wherein customers do not transact on a regular basis. But, in the recent past, they have set a target to reduce this below 10%. For this to happen, there is a need to build more trust in the system and to convince people to transact more. They are focusing more on financial literacy and training efforts to ensure that business correspondents are adequately equipped to educate their customers.

## Coverage

FINO currently operates in 28 states across India, and in 28 out of 51 districts in Madhya Pradesh. Operations in Madhya Pradesh began in 2011 and the company has now built up a network of 1200 BCs in Madhya Pradesh, with 700 BCs working specifically in PMJDY.

## Services provided

FINO offers a wide range of services to customers as part of their financial inclusion programme. The services offered vary depending on the partner banks. For instance, FINO offers EBT and MNREGA payment services as well as Fixed Deposit and Recurring Deposit services to all ICICI Bank accounts holders. This is over and above other basic services like deposit and withdrawal and account openings. The key services offered by FINO under financial inclusion include:

- *opening of bank accounts (savings accounts, recurring deposit accounts)*
- *fixed deposits*
- *withdrawal and deposit of cash – Aadhar-enabled transactions*
- *account balance enquiry*
- *remittances*
- *overdraft and lending*
- *other services specific to the bank (e.g. Electronic Benefit Transfer and MNREGA for ICICI Bank)*

## Provisions for risk mitigation

### 1. Stringent monitoring mechanism

FINO understands the fact that there is always a risk for frauds to happen at the BC or client level and has therefore established a stringent monitoring mechanism to minimise such risks. They generate daily reports on transactions done by a BC and any area of concern is identified and addressed on an immediate basis. This ensures that no area of risk goes undetected for an extended period of time. The stringent background check and police verifications done for the BCs at the beginning also ensure that the risk of frauds at BC level is minimised.

### 2. Mechanism to deal with frauds identified

They have a procedure in place to deal with any fraud that is reported. The most common fraud that is detected is one when a business correspondent collects money from a customer and does not deposit the same. Every business correspondent has a deposit with FINO and in case any kind of fraud is committed, the entire amount is immediately seized. Once a complaint is received against a BC, they initiate an investigation to validate the complaint. The investigation is done by the Block Coordinator responsible for that particular business correspondent, wherein members of Panchayat are also involved. A separate verification process is also initiated by the internal audit team at FINO and subsequent action is taken based on the findings of the verification exercise. If the business correspondents is found guilty, her/his services are terminated on an immediate basis.

## Quality assurance

FINO has a structured monitoring process in place to ensure the delivery of quality services. There is an internal audit team at FINO that conducts regular checks to ensure that operations are running smoothly. An online report on all business correspondents is generated on a daily basis reflecting the state of operations and whether there are any areas of concern that need to be addressed. The District Coordinators are also directly involved in the monitoring process and feedback is provided from the local Bank branch as well. A review meeting is held every month wherein officials from bank, district coordinators and block coordinators participate. Apart from the internal audit team, FINO also conducts third party external audits of their operations which ensures quality in services offered. FINO's emphasis on training of their business correspondents also ensures quality in service delivery.

## Critical Success factors

Although FINO began their operations in the area of financial inclusion in 2006, they have grown steadily since initiation. The critical factors that have contributed to FINO's success are highlighted below.

<b>01</b>	<b>Strong base of investors</b>	<i>FINO has an investor base consisting of major international and Indian players like LIC, ICICI Bank and The Blackstone Group. The company therefore has a steady source of finances that backs operations over and</i>
<b>02</b>	<b>Scale of operation and outreach</b>	<i>FINO currently operates in 28 states in India. The company has built up a vast geographical network and has developed expertise in end-to-end customer sourcing over the past 9 years.</i>
<b>03</b>	<b>Emphasis on training and capacity building</b>	<i>FINO emphasizes the importance of training at the business correspondent level and ensures that adequate support is provided at every step. Frequent meetings and training programs are held to ensure the same.</i>
<b>04</b>	<b>Robust technology platform</b>	<i>Being a reputed business and banking technology platform, FINO uses secure, trusted and robust technology which the company itself has designed.</i>
<b>05</b>	<b>Emphasis on delivery of quality services</b>	<i>FINO constantly strives to ensure that services offered are of the best quality. There is a stringent monitoring process at both an external and internal level to ensure effective delivery of these services.</i>

## Areas of concern for effective implementation

### 1. Connectivity issues

The PoS device used by business correspondents works both online and offline, but recently entire financial inclusion services have moved to online platform. To ensure that there is provision of uninterrupted services to

customers at all times, connectivity at all times is vital. In case of reduced connectivity, business correspondents cannot carry out any transactions on their devices especially when working on the online mode. Low connectivity in rural areas is one of the concerns raised by business correspondents that work in remote areas.

## **2. Delay in replacement of PoS device**

FINO states that the process of replacing the PoS device in case it is damaged takes long for them. In case the device is not working and needs to be replaced, the device first has to be first brought back to the FINO office in either Bhopal or Indore. The district managers then has to recommend for its replacement without charging additional cost from the BC after verification of the issue. Business correspondents are unable to continue with their work in the interim. This is an institutional bottleneck at FINO which affects the usual course of business.

## ***Areas where support is needed from banks***

### **1. Fixed mandate from banks regarding financial inclusion**

FINO is of the opinion that that the mandate they receive from banks keeps changing on a regular basis, which makes it difficult for them to plan and execute. They mention that a more lucid and concrete mandate by the bank will help them plan their operations more strategically. Any change in the mandate from the bank makes them change their planning in the entire value chain. Greater support from bank is needed in terms of clearer instructions and a fixed mandate to make the roll-out process more strategic and comprehensive.

### **2. More support from local bank branch**

Delays in account opening is a common phenomenon at the local bank branch level. FINO opines that branches are understaffed and overburdened since there are only two staff members and one Bank Manager in each rural branch. It takes long to seek approvals from local bank branch for account opening. Dependency on local bank branches is high for account opening as they need to check, verify and upload KYC documents in the system before an account can be operational. They seek greater support from banks in this regard.

### **3. More support for creating awareness at the customer level**

FINO mentions that level of awareness about financial inclusion among clients has increased since PMJDY has come into picture, but still a lot needs to be done. Banks should emphasize on branding and marketing about financial inclusion which will help increase awareness and build more trust in business correspondents. They mention that banks should issue passbooks to all clients to build the trust. FINO opines that provision of passbook might be expensive for the bank initially, but the benefits in the long run will outweigh the costs.

## ***Overall sustainability***

FINO is a financially stable firm which is involved in various income generating activities, including financial inclusion. They have a strong investor base, which strengthens their financial capacity and also increases their capacity to absorb any loss in in the financial inclusion business. They have their own technology platform, which they use in the PoS devices. They do not source the devices from outside and are self sufficient in managing

technology related to FI, which reduces their dependency on others for technology solutions. Presence of in-house technology platform also reduced their overall cost incurred in providing technology solutions.

At present, they do face operational challenges in the field, but they have a strong infrastructure in place to support their operations. They need more support from banks to increase the level of awareness about financial inclusion among customers and to increase trust between business correspondents and customers. This would help increase transactions, reduce account inactivity and subsequently increased earnings for BCs.

# DSK Digital

## Introduction

DSK Digital Technologies Pvt. Ltd. was established in the year 2008. The company was formed with a vision to develop an easy to use and cost effective technology. They strive for making technology “easy to use” as well as “cost effective” for the common people. With years of R&D and substantial investments, they have designed, developed & manufactured an indigenous integrated computing device called “Mobiliz” which strikes perfect balance between cost and functionality. Mobiliz has been designed as an affordable, power efficient, feature rich computing device, with high power efficiency; it also has an innovative unique solar power charging mechanism to maintain continuity of work.

DSK Digital is one of the few players in the financial inclusion segment which work as both a corporate BC and also as a technical support provider. Currently they have presence in Madhya Pradesh & Maharashtra with coverage in over 4,000 SSAs. They have partnered with MPCON for carrying out financial inclusion services in Madhya Pradesh. At present, they are working as a corporate BC for Central Bank of India (CBI), Central Madhya Pradesh Grameen Bank (CMPGB) and Union Bank of India (UBI) in the state of Madhya Pradesh.

A summary of their institutional profile is provided in the table below, which is explained in the ensuing sections.

**Table 7: Summary of operations of DSK Digital in Madhya Pradesh**

Parameters	DSK Digital
Year of starting operations in MP	2013
Presence in India	Maharashtra and Madhya Pradesh
Presence in MP	48 districts
Associated banks in MP	CBI, CMPGB and UBI
Technology used	Micro ATM
Technology support	In-house technology support (Mobiliz)
Number of BCs in MP	1,828
Proportion of female BCs	25%
Total accounts opened in MP	11,09,802
Proportion of non-zero balance accounts	70%
Proportion of accounts issued a RuPay Card	NA
Proportion of accounts in receipt of PIN number	NA
Proportion of accounts linked with Aadhar	60%
Average number of transactions per BC per day	30
Average monthly income of BCs	Rs 2,500
Average number of clients per BC	610



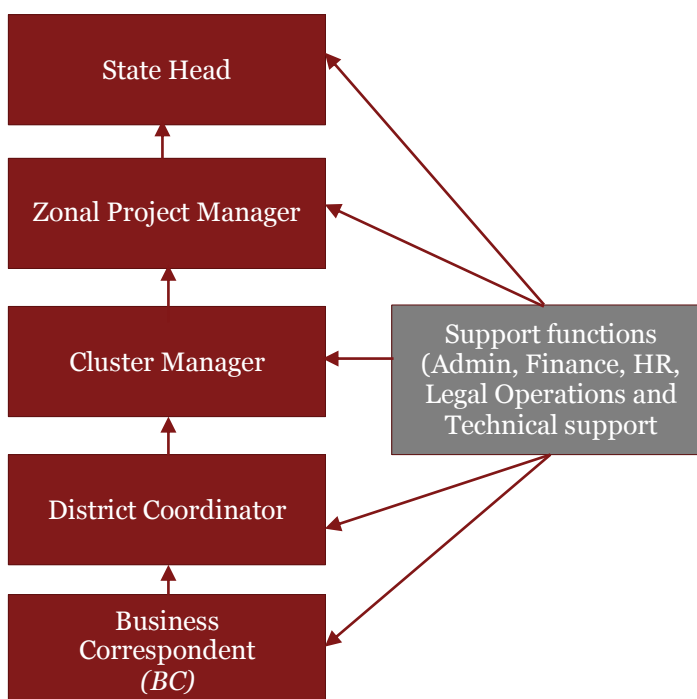
## *Mobilisation of financial resources*

DSK Digital is a promoter based company wherein they have investments in the firm. Their parents company is MPCON, and they have taken the responsibility of financial inclusion. The head office of DSK Digital is located in Pune. Money invested by promoters is used in the operations of the firm and profits made from business are invested back to maintain liquidity. Apart from delivering services under financial inclusion, they are also involved in other ICT related business functions like e-commerce and designing on-field survey applications. Diversity in business provides financial strength to the firm.

## *HR Systems*

### *Organisational structure for financial inclusion*

The organisational structure of DSK Digital for financial inclusion is set up in a way to have constant monitoring and supervision of day to day operations at BC level. They have a hierarchical structure in place with roles and responsibilities defined at each level. The work of business correspondents is supervised by a District coordinator, which in turn reports to cluster manager. There is one cluster manager for every 8-10 districts. DSK Digital has divided their operations in MP in four distinct geographical zones. Each zone has a zonal project manager which takes reporting from cluster managers. The zonal managers are responsible not only to interact and manage the client (banks) and other local stakeholders, but also to keep the people



lower in hierarchy motivated. Each zonal manager is supported by a local MIS executive which produces frequent reports as and when needed. The zonal managers report to state head in the regional office at Bhopal.

Apart from the managerial functions, DSK Digital also has support functions which includes Legal & Admin, Finance, HR, Operations and Technical support. These support functions are centrally located in the Bhopal head office and cater to all regional offices.

### *Number of staff*

There are a total of 1,828 business correspondents associated with DSK Digital in Madhya Pradesh, of which around 25% are females. They select BCs from within the SSAs to take advantage of local expertise and rapport among villagers.

Apart from business correspondents, they have a staff strength of 82 people to manage FI operations. These staff members are stationed at regional offices and at the head office in Bhopal, and provide continuous assistance to BCs in managing their day to day operations. A detail of number of staff at different levels is shown below.

District Coordinator	Cluster Manager	Project Manager	HR	Legal and Admin	Operations	Technical Support	MIS	Accounts
39	2	3	1	1	6	26	3	1
<b>Total: 82 staff members</b>								

### *Recruitment and selection of BC*

The process of recruitment of BCs start as soon as they receive mandate from the bank. Once mandate is received, the information for recruitment of BCs is passed on to the district coordinators. The initial screening of candidates is done by the district coordinator and in this process they seek support from local bank branch officials and members of Panchayat. This helps to identify the best candidate who has a good rapport in the village and surrounding areas.

Selected candidates go through a thorough background check and police verification is also done. Once this is completed, their KYC documents are verified and sent to their office in Bhopal for approval. Post receipt of all required scanned documents (KYC, photo, FD/OD/Saving account, BC declaration form, Educational mark sheets, and police verification certificate) at the regional office in Bhopal, it is validated by the operations team before a unique code for each BC is generated.

### *Capacity Building of Business Correspondents*

They provide an initial induction training to all BCs who join the firm and is conducted by district coordinators. It provides basic information about operating the Mobiliz device, opening zero balance accounts, other deposit accounts such as Flexi RD/FD, registration of application received under the scheme launched by PMJDY and money transfer, etc. Detailed information is also given about schemes launched under PMJDY.

Apart from induction training, they also organize quarterly and half yearly trainings. They mention that it is difficult for them to cover the entire state at one go, so they conduct trainings in a phase wise manner. A training calendar is prepared for each zone, and trainings are conducted separately in each zones. Trainings are provided by zonal project managers and technical leads while they also ask cluster managers and district coordinators to participate so that their strength in financial literacy is also cemented. They also hold trainings whenever a new product is launched.

They also send their staff to trainings conducted by SLBC to build their knowledge about financial inclusion and understand how best practices followed in other cases can be implemented in their operations.

## ***Grievance Redressal***

There is a structured grievance redressal mechanism at DSK Digital for a prompt response to problems raised by either BCs or their clients. The issues which are raised on a day to day basis are mostly related to payments, technology, and cooperation from local bank branches, etc. Any issue which a BC or a client might have is first raised to the district coordinator, who in most cases is trained to provide prompt solution. In case not, the issue is raised to cluster manager and then to zonal project manager. In case the issue is technology related like connectivity or slowing down of bank server, project managers deal with bank officials and try to resolve the same as soon as possible. In other cases, where it is related to problems in the device Mobiliz, the issue is passed on to the technical support team, which take around 24-47 hours to resolve the issue.

## ***Technology Platform for FI services***

DSK Digital uses their own in-house technology platform called “Mobiliz”, which is based on micro-ATM concept. Mobiliz is an indigenous product which is cost effective but does not compromise on performance and usage. It caters to varied needs of the specific user with flexibility for several configurations at the manufacturing level. The application deployment with Mobiliz span segments like financial inclusion, PDS, micro finance, dairy automation, on-field data collection, insurance and other e-govt. projects. Mobiliz is lightweight, intuitive to use and can be easily carried to long distances. It has an option of using portable solar power for charging which is extremely useful in rural areas, where electricity is a problem. It has high security transaction capability with provision for smart cards, biometrics and has a rich set of connectivity features of CDMA, WiFi, GPRS, GPS Ethernet, etc. It has been certified by Standard Testing Quality Certification (STQC) for Micro ATM standards.



## ***Revenue sharing model***

Like most other Corporate BCs in the state, DSK Digital also works on a revenue sharing model wherein 80% of the overall income of a BC is passed on to them and the rest 20% is retained by them. The fixed component in the salary is on discretion of the bank and it differs from one bank to another. The banks that they work with provide a fixed salary of around Rs 2,500 for the initial six months. But recently, they have entered into an agreement with Union Bank of India to provide a fixed income of Rs 3,500 to all BCs till the time they are associated with the bank (*subject to criteria like number of transactions and volume of business*). All these BCs will also receive incentives other than the fixed income.

## Clientele, Coverage and Service offerings

### Clientele

DSK Digital has close to 1 lakh accounts in the state of Madhya Pradesh. Of these around 70% are active accounts with at least one transaction in a month. Close to 60% of the accounts have been linked to Aadhar and they are continuously following up with their BCs to complete this process. For all new accounts that they open, they make it mandatory that they are linked to Aadhar from the beginning.

A list of banks with which DSK Digital is associated in MP, along with details of number of accounts and BCs is provided in Table 5 below (status as on September 2015).

**Table 8: Number of accounts and BCs across banks with which NICT is associated in MP**

Name of Bank	Type of Bank	No. of accounts	No. of BCs
Central Bank of India	Public	5,60,592	635
Union Bank of India	Public	26,614	159
Central Madhya Pradesh Gramin bank	RRB	5,22,596	1,034
<b>Total</b>		<b>11,09,802</b>	<b>1,828</b>

### Coverage

DSK Digital started its operations as a corporate BC in Madhya Pradesh in October 2013. In a short span of time, they have extended their operations in 48 of the 51 districts in the state. They have also extended their operations for financial inclusion services to Maharashtra. With an in-house technology platform in place, which is state of the art, they plan to make deeper inroads in the landscape of financial inclusion and widen their coverage and reach.

### Services provided

As a Corporate BC, DSK Digital provides key banking services to the urban and rural poor. Under the ambit of financial inclusion, the services rendered by them include:

- opening of accounts (savings, recurring deposit)
- fixed deposits and life/accidental insurance,
- information regarding account balance to clients,
- regular transactions (withdrawal and deposit of cash)
- Money Transfers (remittance),
- IMPS and Aadhar enabled money transfers (AEPS)
- MUDRA loans (up to Rs 50,000)
- Loan recovery (NPA)
- any other services on behalf of the bank duly authorized.

## ***Provisions for risk mitigation***

DSK Digital understands that since financial inclusion as an activity involves monetary transactions, there is a risk for frauds to happen. They do take some precautionary measures to avert any possible risk. To that effect, the first and foremost approach is to have a detailed background check and police verification of the BC, which reduces risk of frauds to happen. Any person with a history of malpractice is not appointed as a BC. Another precautionary measure is to keep a deposit of Rs 20,000 from each BC, which acts as a security in case of any malpractice reported against a BC.

Precautionary measures help reduce the risk of frauds to happen, but in case an incidence is reported, DSK Digital takes prompt action towards it. They send an internal team to validate the fraud. Investigation is carried out in association with officials from local bank branch and members of Panchayat. In case the BC is found guilty, her/his security deposit is seized to recover the amount. If the BC denies to return the money back, a police complaint is filed and her/his services are terminated with immediate effect.

## ***Quality Assurance***

DSK Digital is a relatively new entrant in the space of financial inclusion. They ensure quality in their service delivery so that they can build trust among customers. To ensure this, they conduct regular monitoring and spot checks. Zonal managers play an important role in ensuring adherence and compliance to quality standards on the ground by BCs. They make regular visits to BC locations and interact with the clients and local bank branch officials to get feedback about the service delivery of BC. They also encourage clients to report any issues they face to the district coordinator, which puts extra pressure on the BC to maintain quality. They also have provision for internal and external audits to be conducted on a regular basis. Such audits help them benchmark their services and ensure quality in their offerings.

## ***Critical Success factors***

Despite the fact that DSK Digital is a relatively new player in the financial inclusion domain, they have been able to create a space for themselves. The critical factors which have led to their success are mentioned as under.

<b>01</b>	<b><i>In-house technology support</i></b>	<i>Their indigenous platform “Mobiliz” is a state of the art device for financial inclusion. The device adds strength to the overall efficiency of a BC.</i>
<b>02</b>	<b><i>Structured grievance redressal system</i></b>	<i>Layered structure to address queries. Senior management like zonal managers are directly involved in addressing issues.</i>
<b>03</b>	<b><i>Fixed compensation with UBI</i></b>	<i>They have come to an agreement with UBI for a fixed salary of Rs 3,500 for BCs till the time they are associated. This helps attract best talent.</i>

## ***Areas of concern for effective implementation***

### **5. Non-payment of fixed salary to BC**

When PMJDY was launched, it mandated that all BCs will be paid a fixed monthly salary of Rs 5,000. This was one of the major factor to attract the best talent to get involved in financial inclusion. But, later on, as the scheme was rolled out, the fixed component was decided upon by the bank on an individual basis and in most cases provided for initial six months only. DSK Digital mentions that a fixed component should be a permanent feature in the compensation structure of a BC to ensure viability and sustainability in the long run. They have entered into an agreement with UBI for a fixed component, but they are of the opinion that this should be a common practice in the FI sector implemented through BC model.

### **6. Structure of revenue sharing**

DSK Digital is of the opinion that the current revenue sharing model of 80% (CSP):20% (Corporate BC) is not adequate to manage all operational expenses. They are not paid any additional grant from the bank to conduct trainings of BCs, the cost of which is directly borne by them. They mention that lack of financial support from the bank/government limits their capacity to perform, especially to provide regular trainings to BCs on financial literacy.

### **7. Lack of resources**

DSK Digital operates in 48 of the 51 districts in Madhya Pradesh. They mention that they have a mandate to cover 2,285 SSAs, of which they have reached to 1,828. They still need to cover around 20% of the allotted SSAs. But, they find it difficult to recruit staff at the field level in adequate numbers to oversee operations. As they have an equal concern to maintain quality in service delivery, they are facing problems in extending operations because of lack of resources.

## ***Areas where support is needed from banks***

### **4. Lesser pressure on coverage and target from banks**

DSK Digital is of the opinion that banks put a lot of pressure for coverage and completion of targets. Initially they were pushed to open accounts for all beneficiaries when PMJDY was launched. Once accounts were opened, they got the mandate to do enrolments in insurance schemes. They mention that they are always on the edge to cover targets, which leads to lesser focus on financial literacy. They mention that they would seek support from the bank to be less aggressive about completing targets so that they focus on other aspects of financial inclusion like financial literacy and increasing transactions.

### **5. Support in recruitment of BCs in remote areas**

Financial Inclusion ensures delivery of banking services to unbanked population in the remotest areas. Sometimes it is difficult to recruit a qualified BC in remote areas. In such circumstances, DSK Digital mentions they would need support from banks to identify the best suited candidate as they have presence in the location from before.

## ***Overall sustainability***

DSK Digital is a relatively new entrant in the financial inclusion sector. They manage their funds through investments made by their promoters. They have made investments in R&D initially to develop the platform for delivering services for financial inclusion. They have grown at a steady pace in the recent past in terms of extending coverage of operations.

DSK Digital is sound in terms of technology and finances. They believe that their investments in R&D and developing state of the art technical platform will pay dividends in the long run. They see financial inclusion as a means to extend complete range of banking services to the rural poor. With support from banks and revision in commission structure, sustainability in the long run won't be much of an issue for them.

# AISECT

## Introduction

AISECT started its operations in 1985 and currently works in the area of education, skills development and e-governance. It aims to bring about inclusive change in semi-urban and rural areas of the country through information and communications technology (ICT) and skill-based initiatives. It reaches out to the remotest corners of India to promote ICT-based training and services to empower people, generate employment for the youth, and start entrepreneurship-based initiatives to help create a more inclusive society. AISECT currently has 20,000 branches/centres in 27 states and 3 Union Territories in India.

AISECT started their operations in the area of financial inclusion in 2009 when they joined hands with State Bank of India in Madhya Pradesh and Chhattisgarh. At present, they have expanded their operations in 11 states in India. AISECT's performance in the field of financial inclusion has been widely acknowledged over the years and they are the national Corporate BCs for State Bank of India and Bank of India.

A summary of their institutional profile is provided in the table below, which is explained in the ensuing sections.

**Table 9: Summary of operations of AISECT in Madhya Pradesh**

Parameters	AISECT
Year of starting operations in MP	2009
Presence in India	11 states (Madhya Pradesh, Chhattisgarh, Punjab, Rajasthan, Haryana, Uttar Pradesh, Odisha, West Bengal, Jharkhand, Gujarat, and Maharashtra)
Presence in MP	51 districts, 5786 villages
Associated banks in MP	SBI, BOI, Madhyanchal Gramin Bank and other Nationalised Banks in coordination with CSCSPV
Technology used	Kiosk Model
Technology support	Provided by banks
Number of BCs in MP	2,299
Proportion of female BCs	15%
Total accounts opened in MP	58,00,000
Proportion of non-zero balance accounts	49%
Proportion of accounts issued a RuPay Card	20%
Proportion of accounts in receipt of PIN number	15%
Proportion of accounts linked with Aadhar	25%
Average number of transactions per BC per day	Approx. 15 Transactions Per day
Average monthly income of BCs	Rs 5,235
Average number of clients per BC	2,475



## ***Mobilisation of financial resources***

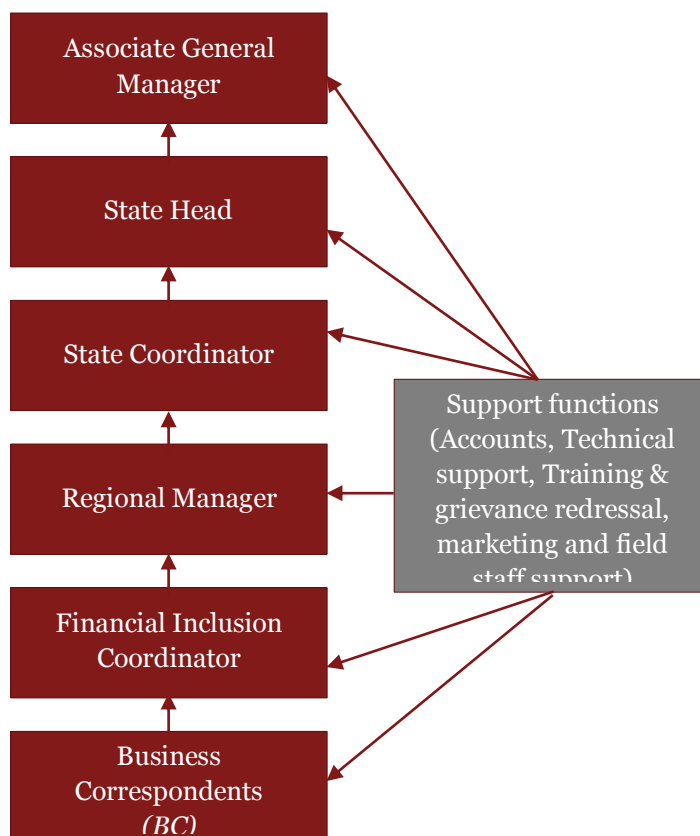
AISECT works on a franchisee model. The organisation does not have external investors and generate funds from their varied services in the area of education, skills development, financial inclusion etc. They generate funds from their franchisees and also from the business correspondents who deposit security amounts with AISECT before starting work. They generate income from their own operations which are invested back in the business to maintain liquidity. They have a stable business model in the area of education and skill development, which help them absorb any instability in the financial inclusion division. They also mention that FI operations are also slowly moving towards being sustainable in the long run.

## ***HR systems***

### ***Organisational structure for financial inclusion***

AISECT has a hierarchal organisational structure in place, with roles and responsibilities defined at each stage. With business correspondents at the grass-root level, they have a FI coordinator to monitor and supervise their day to day operations. FI coordinators report to regional managers who are primarily responsible for business development and searching for new potential areas. They also supervise the activities of the FI coordinators and monitor centres in the assigned territory. The regional managers report to state coordinators who undertake business initiatives in other states and draw out strategies for development. They are also in-charge of overall monitoring and supervision of FI operations in the state. The state coordinators are work in close association with a state head who in turn reports to associate General Manager of the firm.

They also have support functions within the firm which includes an accounting and finance, technical support, training and grievance redressal cell, marketing unit, and field staff support cell.



### ***Number of staff***

AISECT has a total of 2,299 business correspondents operating in Madhya Pradesh. Out of these, approximately 15% are female BCs. Since the job of a business correspondent involves a lot of travelling through frequent visits to both banks and clients, they find it difficult to recruit females as BCs.

They have a staff strength of 79 employees, a detail of which is provided in the table below.

**Table 10: Designation and corresponding number of employees at AISECT**

<b>Designation</b>	<b>No. of Employees</b>
Associate General Manger	1
State Heads	13
State Coordinators	7
Regional Mangers	14
Financial Inclusion Coordinators	26
Accounts and accounting	5
Technical Support Team	3
Training, grievance redressal and complaint cell	4
Marketing	3
Field Staff Support cell	3

### *Recruitment and selection of Business Correspondents*

Selection of BCs at AISECT is procedural in nature and they set minimum benchmarks for all candidates. They make it mandatory that all applicants should be educated till senior secondary (class 12<sup>th</sup>). He/she should also have a basic working knowledge of computers as the current FI model is completely based on technology. They also prefer such candidates who have good networking and rapport in the selected location where they are expected to operate. They prefer such candidates who possess/ have potential to invest around Rs 35,000 – Rs 40,000 initially in the business to set it up. In most cases, they look for an existing entrepreneur in the villager, who has a physical infrastructure to operate from.

They receive a list of locations from the bank where business correspondents have to be recruited. The FI coordinator then visit the Panchayat in that area to identify most suited candidates based on the pre-identified criteria. They also give advertisements to attract the best talent, though they prefer to rely on their own referral network. Once shortlisted, candidates are then interviewed initially by the FI coordinators. AISECT also conducts a background check and verification to ensure that the candidate has no history of malpractice or has any other criminal allegations. They also scrutinise their financial strength during the selection process. The final interview is then conducted either by regional manager or by state head before they are finally selected.

### *Capacity Building of Business Correspondents*

Once the business correspondents come on board, they undergo a one day induction training, which includes basics of banking and financial inclusion and provides a detail of products and services that they would be required to offer.

Apart from induction training, regular trainings are also provided to the business correspondents on financial literacy whenever a new product or service is launched. Training sessions are also conducted by FI coordinators at district level on a monthly or bi-monthly basis. They invite retired bank officials to participate in trainings from time to time to share their knowledge and experience. They also have 600 BCs which are trained as DRA (debt-recovery agent).

### ***Grievance Redressal***

AISECT has a structured grievance redressal platform in place to address any problems that may arise for the business correspondents on field. The organisation has a grievance redressal cell which is headed by a retired official from SBI vigilance department, and two other members exclusively at the Head Office. The FI coordinators are well trained to provide solutions to maximum of the issues faced by BCs and clients in day to day operations.

They have a call centre in Bhopal which operates from 8am to 8pm every day across the year. Both business correspondents and the clients can raise queries at the call centre. They also have a provision to send text messages, along with usage of platforms like WhatsApp and Facebook for registering complaints. Queries that are most commonly raised by business correspondents are regarding delays in payment, connectivity, and server issues.

### ***Technology Platform for FI services***

AISECT works on a kiosk model to deliver services under financial inclusion. They make efforts in branding to ensure that business correspondents have adequate recognition in their operating areas.

### ***Revenue Sharing model***

AISECT works on revenue sharing model, wherein 85% of the total income generated by a BC is passed on to them, and the rest 15% is retained by AISECT. This is slightly different from the common 80% (individual BC)-20% (corporate BC) revenue sharing model and therefore works more in favour of the business correspondents. The fixed component in the salary of a business correspondent differs from one bank to another and AISECT does not have any role to play in the same.

### ***Clientele, Coverage and Service offerings***

#### ***Clientele***

AISECT has close to of 58 lakh accounts in Madhya Pradesh, which are predominantly no frills savings accounts. Close to 25% of accounts have been Aadhar seeded till now, while 20% of all them have been issued RuPay cards. Of all account holders, around 15% have received their PIN number. A list of banks with which AISECT is associated in MP, along with details of number of accounts and BCs is provided in the table below (status as on September 2015).

**Table 11: Number of accounts and BCs across banks with which AISECT is associated in MP**

<b>Sr. no</b>	<b>Name of Bank</b>	<b>No of BCs</b>	<b>No. of Customers (in lakh)</b>
1.	State Bank of India	1638	54.01
2.	Bank of India	108	00.78
3.	Madhayachal Gramin Bank	147	00.27
5.	CSCSPV	406	01.23
	<b>Total</b>	<b>2,299</b>	<b>56.29</b>

### *Coverage*

AISECT has a strong network of over 20,000 branches/centres in 27 states and 3 Union Territories in India. In Madhya Pradesh, they operate across all 51 districts. There are a total of 5,786 villages which are covered by AISECT in the state of Madhya Pradesh, which is covered by a 2,299 business correspondents.

### *Services provided*

The services provided by AISECT under financial inclusion include the following:

- *opening of bank accounts (savings accounts, recurring deposit accounts, no frills accounts)*
- *fixed deposits (up to Rs 10,000)*
- *overdraft/retail loans*
- *issuing of RuPay Cards to account holders,*
- *balance enquiry and issuing of receipts or statement of accounts*
- *disbursal of credit facilities to borrowers involving small amounts as per the Bank's instructions*
- *deposit of money in an account/withdrawal of money from an account*
- *seeding of accounts with Aadhar-cards*
- *remittances from an account with a bank to an account with the same or any other bank*

## ***Provisions for risk mitigation***

### **3. Stringent monitoring**

AISECT has a stringent monitoring system in place to minimise incidences of fraud. They have a layered monitoring mechanism which helps them avert situation of possible fraud and identify incidences if they occur. First level of check on a frequent basis is done by the FI coordinators, who make regular visits to the kiosk and ensure that they are ethical in their conduct. Meetings are also held with local Panchayats and with local bank branches to get feedback on the BC and its operations. They also have provisions for internal and third party external audits to keep checks and balances and to mitigate any risk for frauds.

#### 4. A solution based approach to frauds detected

In case any complaint is received related to malpractice or fraud by any BC, her/his operations are blocked with immediate effect. AISECT sends an internal audit team from head office to investigate in the matter and validate the complaint. The investigation is carried out with the help of officials from local bank branch and keeping members of Panchayat in the loop as well. In case the business correspondent is found to be guilty, the services are terminated with immediate effect.

### *Quality assurance*

Maintaining quality in service delivery is a priority for AISECT. Frequent monitoring of BC operations helps to ensure that the provision of services is of high quality and meets client's expectations. Apart from strict monitoring, AISECT also encourages handholding to ensure that business correspondents get initial support and attention while setting up their business. Monthly training sessions led by experienced personnel in the field of financial inclusion ensure that business correspondents learn from the best in the industry. They are also trained on any new product offering in financial inclusion to be well aware so that they can offer the same with confidence to their clients.

### *Critical success factors*

Since its inception in 1985, AISECT has built up a good knowledge-base and experience. The organisation has now extended its FI operations in 11 states in India. The critical factors which have led to their success are presented below.

<b>01</b>	<b><i>Geographical coverage and experiential learning</i></b>	<i>Operating since 1985 and has gained in-depth knowledge of FI operations in both semi-urban and rural areas in India</i>
<b>02</b>	<b><i>Prompt grievance redressal</i></b>	<i>A prompt grievance redressal cell which receives complaints through phone, text, Whatsapp, Facebook and online as well. Complaints received are addressed as quickly as possible.</i>
<b>03</b>	<b><i>Emphasis on monitoring of BC operations</i></b>	<i>Regular monitoring of all kiosks by field staff to ensure quality in services. They have a layred monitoring mechanism.</i>
<b>04</b>	<b><i>Diversified sources of income</i></b>	<i>Engaged in activities like skill development and developing models to strengthen the non-formal education sector. Financial inclusion through BC model is one of the many services offered.</i>
<b>05</b>	<b><i>Capacity Building of BCs</i></b>	<i>Induction trainings and frequent follow-up trainings are provided to BCs on a regular basis by experienced personnel including retired bank officials.</i>

## ***Areas of concern for effective implementation***

### **1. Identification of BCs with required educational qualification**

One of the challenges that AISECT faces with respect to recruitment of business correspondents in the rural areas is absence of eligible candidate with requisite educational qualification. They mention that in most cases, especially in the deeper pockets of the states, education is still a challenge and this makes it difficult for them to identify and select most suited candidate.

### **2. Variation in salaries paid to business correspondents**

AISECT mentions that the fixed salary paid to BCs differ from one bank to another. In some cases, BCs receive the full amount while in others, they receive lesser. Commissions would only increase when business correspondents are allowed to offer a greater range of services; which are limited at the moment. The range of service offerings is decided by the Banks and payment of commissions is also at their discretion only. AISECT has no incentive structure of its own in place to ensure that all business correspondents remain motivated.

## ***Areas where support is needed from banks***

### **1. Issuing of Passbooks**

Interactions with AISECT on areas where they need support from banks highlighted the need to issue Passbooks for all account holders which can be used for easy identification. This eliminates the need for a biometric device that may or may not function. This will also help establish more faith among the clients on the overall BC model of financial inclusion.

### **2. Server related issues**

AISECT mentions that they often face the issue of server failures, wherein it either slows down or stops working due to overload. As a result, BCs have to stop their daily operations which leads to accumulation of work at their end. AISECT mentions that they need support from the bank to ensure that servers function smoothly as this has a direct impact on the ability of business correspondent to conduct transactions. Support to rectify these server related issues is therefore requested to speed up the process of providing services.

### **3. Creating Awareness at the customer level**

AISECT mentions that they would seek support from the bank to help in creating awareness about financial inclusion at the ground level among customers. Although there has been an increase in awareness levels after the initiation of PMJDY, there is still a need to build on this. AISECT is of the opinion that banks should organise more camps to increase awareness in areas where business correspondents operate so that they can reach out to more customers. This will help build more trust, as customers can interact directly with the Bank officials. This eventually will help in increasing transactions at the kiosks and will in turn lead to lessen zero balance accounts.

## ***Overall sustainability***

AISECT is a well-reputed organisation and has been growing at a steady pace over the past 30 years. The organisation has been working at the grass-root level across India through its franchisees and has established branches/centres across Madhya Pradesh. Although the organisation has been performing well in the area of financial inclusion, they need support from banks to address gaps and to ensure that operations continue to run smoothly in the long run. BC operations are still highly dependent on the local link branch. Delays that take place as a result of the local bank branch therefore inhibit their ability to serve customers. AISECT also seeks greater support from the bank in creating awareness as this will enable business correspondents to reach out to more customers while also building trust in both the business correspondents and the financial inclusion system as a whole.

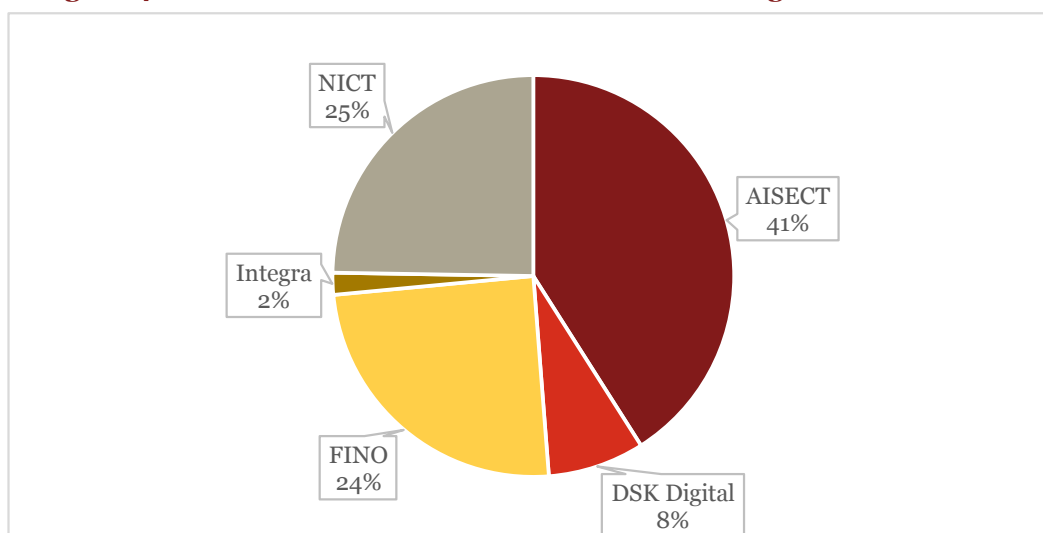
AISECT as an organisation has adequate funds to sustain in the long run through the range of services and products offered to customers. Although they do not have any external investors, the profits that they have generated over the years have allowed them to operate with ease so far. Financial stability is therefore not an issue that they foresee in the near future, when considering overall sustainability.

# BCNM Assessment: Summary of Findings

## *Accounts and clientele*

After the launch of PMJDY in August 2014, there was a surge in the number of Bank accounts opened in Madhya Pradesh, and a shift in focus from the village level to the household level with the aim of increasing financial inclusion. The initial target of BCNMs and their BCs was therefore to open Bank accounts for all households in the SSAs that they had been assigned. Although urban areas were also targeted, there was a great deal of emphasis placed on opening accounts and increasing clientele in the rural inaccessible areas. BCs were therefore forced to travel deeper into the villages and often visit households in person to increase awareness about banking services, and to open bank accounts for them. The accounts that were being opened by BCs were primarily savings accounts. One of the strategies adopted by the BCNMs was to identify those BCs that had strong pre-existing networks within the villages, for instance with the Gram Panchayat, in order to increase their overall reach. BCs earn commission for every account they open for bank. Opening of new accounts allowed BCs to earn higher incomes in the initial stages of PMJDY, as accounts were opened in bulk. Of all the BCNMs interviewed, RedCraft did not disclose the total number of accounts with them. Among the other BCNMs which included AISECT, DSK Digital, FINO, Integra and NICT, they opened a total of 155,14,844 accounts under PMJDY<sup>33</sup>. The highest proportion of accounts was with AISECT (around 41%), closely followed by FINO and NICT (around 25% each).

**Figure 4: Share of total accounts under PMJDY among BCNMs interviewed**



\* Number of Bank accounts opened by RedCraft was not disclosed.

<sup>33</sup> Pradhan Mantri Jan-Dhan Yojana, Ministry of Finance, (2015). Scheme Details. [online] Available at: [http://www.pmjdy.gov.in/scheme\\_detail.aspx](http://www.pmjdy.gov.in/scheme_detail.aspx) [Accessed 16 Sept. 2015].



Once all the accounts had been opened, the main issue that came to light was the fact that a majority of accounts had no balance (zero-balance accounts). On an average, BCNMs suggest that approximately 60% of all Banks accounts have remained inactive, leaving only 40% of accounts did small transactions every month. As a result of this, the earning potential for BCs has fallen substantially. One of the leading causes behind the account inactivity is the fact that there are often multiple Bank accounts that have been opened for the same person. This happens because customers think that they will be entitled to more insurance if they have different accounts opened with different Banks. Since there is already a low level of knowledge when it comes to insurance, especially availing of insurance, the accounts lie dormant after having been opened.

Dormancy in the accounts with no balance has resulted in low transactions. Use of the overdraft facility that has been introduced with PMJDY has therefore not even come into question. The clause states that Rs 5,000 is available to all those with accounts under PMJDY as an overdraft, but the account holder should regularly operate their accounts for at least 6 months<sup>34</sup>. A large number of account holders have were unable to avail this facility as a result of maintaining no balance, and because of their inactive account.

Furthermore, PIN numbers for the RuPay cards have not yet arrived for a large number of customers. Since RuPay cards can only be used at an ATM for which the PIN is required, there is no way that the card can be used without it. This, along with the fact that there is no balance in most of the existing accounts, has created a vicious cycle leading to low level of transactions. This has also made it extremely difficult for the BCs to earn commission through their work, as commissions are based on the number of transactions conducted by each account holder. Those customers that transact also primarily use deposit and withdrawal services that the BCs usually offer them. BCNMs in Madhya Pradesh have identified this as a major issue, and there is a need for BCs to diversify the range of financial services that they offer to include services like Recurring Deposits (RDs), Fixed Deposits (FDs) as well as loans for agriculture, vehicles and personal loans.

There are also a number of operational and technical issues from the Bank's end that inhibit transaction capabilities. For instance, complaints are often received by the customers stating that the accounts have not been authorised. Once the BC opens the accounts and submits the necessary documents like Aadhar card, voter's card and other necessary documents then the bank has to verify the documents and authorise the account to be fully operation. However there is on an average a delay of upto 1 month for banks to authorise the accounts. These delays from the Bank's end therefore prevent customers from being able to transact until the authorisation has been successful.

Therefore, apart from speeding up authorisations from the Bank's end, customers also need to be educated on the importance of maintaining at least a minimum balance in their accounts. The target for most BCNMs is to increase the level of activeness in each Bank account and thereby to increase the volume of transactions. Some BCNMs stated that at the time of account opening, a slip of receipt is not always provided to the customer as proof

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<sup>34</sup> Pradhan Mantri Jan-Dhan Yojna, Ministry of Finance, (2015). *Overdraft upto Rs 5,000/- in PMJDY Accounts*. [online] Available at: <http://www.pmjdy.gov.in/Pdf/Overdraft-facility.pdf> [Accessed 27 Aug. 2015].

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of the account having been opened. This is crucial in order to build trust in the system. The level of transactions will also increase when trust builds up and when greater incentives are put in place for customers to transact.

## ***Coverage***

For the successful implementation of PMJDY, the districts in Madhya Pradesh have been divided into SSAs or Sub Service areas, and each SSA has been allocated to a BC operating under a particular BCNM. It was stated that there would be an allocation of one BC per SSA, in a 1:1 ratio. Each BC therefore has a set number of customers that he/she caters to, which makes covering the entire area easier – to prevent an overlap. Interactions with the BCNMs indicated that every SSA has at least one, if not more than one, BC operating and offering financial services to customers of that area. This has ensured maximum outreach.

## ***Transactions***

Although accounts have been opened for all customers, the volume of transactions taking place has not been very high since the introduction of PMJDY. This has happened primarily due to the reasons already discussed above. Regarding the mode of conducting transactions, all the BCNMs claimed that 100% of transactions conducted are through some form of technology – either a handheld device, mobile, or kiosk. There are primarily two models that are used to facilitate transactions in Madhya Pradesh, and each BCNM has adopted either one or the other. Some have even gone so far as to mix the two in order to combine the benefits of both. The first model is the Kiosk Model, wherein the Business Correspondent is based at a fixed point or kiosk where he works using his own laptop and biometric device. This type of model has been adopted primarily by AISECT. The biggest advantage of this model is that customers see the BCs sitting at a fixed point consistently with both their names and the Bank board displayed directly overhead. This creates a feeling of trust that the BC is in fact legitimate and actually conducting services on behalf of the concerned Bank. There is therefore a lot of focus on branding and recognition to build trust in this model.

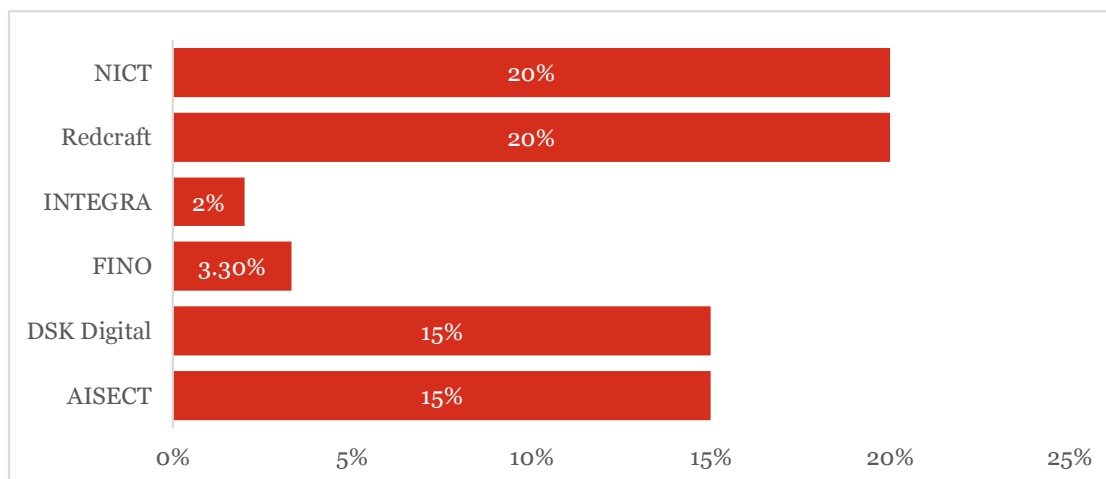
The second model is the PoS, or Point of Sale model, wherein BCs are provided with a portable device. This model has been adopted by FINO. BCs are not confined to a particular location and are free to move from one place to another, allowing them to cater to customers that would otherwise not be able to travel to the kiosk. The biggest advantage of this model is therefore mobility that allows for greater outreach. The flaw with this model however is that there is no brand linking like in the case of a kiosk, where the logo etc. are constantly on display. In addition to that, when using hand-held device, the BC is unable to view the transactions like in the case of a kiosk. The PoS device also does not help when it comes to Aadhar linkages/seeding. It does however allow them greater mobility to be able to facilitate transactions from any point.

## ***Institutional capacity***

The number of BCs employed by each BCNM in Madhya Pradesh was found to be ranging from about 700 to 4,500 in all districts in Madhya Pradesh. The BCNMs claimed that of all the BCs that operate across Madhya Pradesh, only a small percentage are female. The number is approximately 13% on average, taking into

considering the number stated by the BCNMS. Women do not find this job appealing as a basic requirement is for them to be mobile and to be able to travel around on a daily basis. Since traditionally, women have household obligations as they are expected to both run the house and look after the children, this type of job is less desirable. The figure below highlights the percentage of women BCs for each BCNM.

**Figure 5: Proportion of female BCAs per 1,000 households**



When looking at the revenue sharing between the BCNM and the BCs, each BCNM was found to have adopted a slightly different revenue structure. Some were 80-20 and some 75-15. 80-20 would imply that 80% of the earning goes to the BC while 20% is retained by the BCNM. In the initial phase of PMJDY; accounts were opened on a mission mode, a commission was given to BCs for every account that they opened. This allowed them to earn a substantial income as accounts were opened in bulk. However, once account openings reached saturation, the potential of earning an income through account openings dropped. BCNMs now claim that commissions are given to the BCs for conducting a certain number of transactions, for instance, for every 25 transactions conducted. The Bank provides a salary for a particular period of time after which earnings depend on transactions. There are some BCs that are therefore receiving a steady income, while others aren't receiving anything.

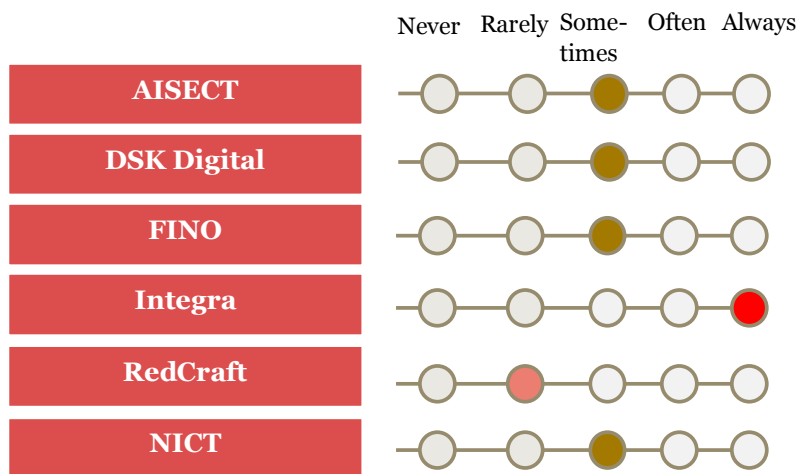
The BCNMs therefore state that transactions would need to increase in order to see an increase in commissions. So far, the BCs have been primarily involved in the provision of basic deposit and withdrawal services. A few have now started to offer RD, FD, insurance, and fund transfer services as well. These would need to increase even further now that account openings have reduced, in order for BCs to earn a sustainable income. Commission to BCs are also often delayed, sometimes up to 2.5 months after the set date, and these delays are primarily due to institutional hold-ups with the Bank. The BCNMs however all claim to have adequate technical assistance teams and dispute resolution mechanisms in place in case they are required.

### ***Technology usage and support***

When discussing challenges that affect the operations of BCs through PMJDY, connectivity has been identified as one of the major challenges. The goal of PMJDY has been to increase financial inclusion, and therefore to

increase the reach to the rural inaccessible areas where people do not have access to financial services. Connectivity is often an obstacle in such areas. For those BCs that have started working in these areas, issues of connectivity affect the work that they need to do online; those that use the kiosk model are affected the most. Since Madhya Pradesh has a number of districts that are not very well connected, and districts like Sheopur which are densely covered by forests and are highly inaccessible, connectivity issues are common. Occasional issues with connectivity have also been noted in the urban areas as well. The responses of the BCNMs to the frequency of connectivity issues are highlighted below, with a majority stating that the issues arise “sometimes” – more in the rural areas, but often in the urban areas too.

**Figure 6: Frequency of connectivity issues**



BCNMs also claim that all of their BCs are 100% technologically proficient, as this knowledge is crucial to performing work as a BC in the first place.

Every BCNM has support staff present both on field and in the main office. Most have technical engineers on field who provide support and solutions to the BCs regarding any issues that may arise, for instance with the device that they are using. There is also a network of coordinators that interacts directly with the BCs on field. In the case of any emergency, the BCs can get in touch with the BCNM either through the website, or on the telephone through a helpline. The Technical Support Provider also travels frequently to the villages in case support is needed. They are adequately trained in solving any of the problems that may arise. There is therefore a proper mechanism in place to deal with grievances for all operating BCNMs. One issue that was pointed out, however, was the attitude that the Bank officials at the branches have towards financial inclusion.

### ***Financial literacy efforts and capacity building***

BCNMs select their BCs primarily on the basis of their educational qualifications, their local knowledge and network. Each BCNM has their own set of requirements, but the basic requirements are as follows: The person should have passed Class 10 / Class 12 (depending upon the BCNM), and should possess basic operational and technical knowledge of computers. They should ideally be from the same SSA where they will be working, and should not have any political affiliations. Some BCNMs stated that they prefer BCs that are caste-neutral,

especially in cases where the BCs have to cater to people from different religious/caste backgrounds. This allows them to remain neutral when dealing with these customers. The BCs should ideally have a good network in the village, for instance with the Gram Panchayat or senior members of the community. This helps in reaching out to a greater number of people. Some of the BCNMs like AISECT also claim to have a preference for those BCs that already possess certain basic infrastructural items like a laptop (which is required to use in the kiosk model that they have adopted).

Once selected based on the requirements highlighted above, BCs are given special training initially by the BCNM on how to operate their devices / equipment. Training is held roughly in two areas – Operational and Technical, and special camps are usually set up for these trainings. For most of the BCNMs, an initial investment in the form of a Fixed / Security Deposit is required to be given by the BC before which he / she is given the equipment to carry out the BC work. Once the initial training is complete and the BCs have started their work, subsequent meetings are held (usually monthly) in order to inform the BCs of any changes or progress so that they are up to date. The Banks also assist in providing trainings, but not very frequently.

Apart from providing training on the operational skills that are required to work as a BC, a majority of BCNMs also provide their BCs with training on soft skills which they require in their day-to-day functioning and interaction with customers. This kind of training is said to take place either every month, or sometimes twice a month. As shown in the graph below, trainings are held often by all BCNMs (either monthly or bi-monthly).

Discussions with each BCNM pointed to the lack of adequate financial awareness as one of the main reasons why transaction volumes have been so low since PMJDY was introduced. While the opening of accounts were a success at the time when the scheme began, customers have not been transacting thereafter as they are often unaware of the benefits of doing so. Thus there is a need for a savings habit to be inculcated. Also, since the level of financial literacy is so low, most customers who have opened accounts are not even aware of the various financial products that are available to them. The focus of the BCs so far has been mainly on the opening of accounts, and they have only recently started expanding to offering other services like RDs and FDs as well. Customers however would need to be educated on what each product is before they can open up to the idea of using them. This is something that would require a sufficient amount of time.

BCNMs stated that initially when clients approached the BCs, they did so with a great deal of fear. BCNMs have now taken the initiative to train their BCs so that they can in turn increase the level of trust and financial literacy on ground. Efforts on financial literacy are therefore undertaken periodically by each BCNM in Madhya Pradesh. There is proper training given to the BC on the products that are offered, and any new knowledge or service that has been introduced. This is done with the aim that the BC can then take that knowledge ahead and educate the customers themselves. Since the BCs are trustworthy members of the community where the customers themselves are from, the idea is to use the same network to spread awareness. Workshops are also held periodically with relevant updates. On a scale of 1-5, 4 of the 6 BCNMs claimed to hold community mobilisation and financial literacy efforts at least every fortnight, and 2 claimed to hold them at least every 3-6 months. This

is highlighted in the figure below. Financial literacy efforts have therefore been stepped up by all BCNMs in order to address the problem of low financial literacy in Madhya Pradesh.

Financial literacy efforts have also been made in the past by the Banks in certain areas through the setting up of camps, though the frequency of these should ideally increase for them to be more effective. These camps aim to provide basic information on financial products and services and spread awareness about financial inclusion in general.

## ***Viability and sustainability***

With reference to the sustainability of the model, all BCNMs agreed on the fact that when comparing the Branch vs BC model for facilitating greater financial inclusion, the BC model is undoubtedly better both cost-wise, and reach-wise. The model also has better incentives, and there is a greater amount of flexibility. However, there were a number of issues that were highlighted. These are areas that would need to be addressed in order to ensure that the model is viable in Phase II, as well as in the future:

1. Lack of adequate incentives to ensure that customers return after having opened accounts
2. Issue of financial literacy
3. Zero balance accounts and overall inactivity
4. Connectivity issues
5. Difficulty in travelling at the local level (division of SSAs) and requirement to travel long distances
6. Inadequate compensation given for the BCs to travel (when they have to travel large distance)
7. Difficulty for the Branch Managers to monitor 8-9 BCs,
8. Inadequate financial incentives for the BCs to continue operations overall

The government would need to provide more incentives to the BCs in order to ensure that they continue with the same work. BCs would also need to be given permission to carry out more activities, over and above the basic deposit and withdrawal services that they offer to all customers. This would allow them to gain greater commissions from product diversification. The Banks would also need to take a greater initiative to support the BCs at the SSA level, through periodic visits to the BCs, and by being part of the financial literacy camps/account opening camps that are organised by BCs. This will help the BCs to gain the trust of customers in that area. Furthermore, it would also be beneficial if Bank accounts are opened without long delays. Bank support is crucial to improve financial awareness, and this will indirectly affect the number of transactions that customers conduct in the future.

Some BCNMs claim that the level of trust has been growing gradually, as the BCs are usually native to the area in which they operate, and have been provided with adequate identification so that the customers know that they are in fact working on behalf of the Bank. All BCNMs stated that 100% of their BCs are from the local communities where they operate. A majority however stated that trust is definitely an issue at the moment (trust between the BC and his / her customers). Thus there is a significant need for trust to be built in the system. Since the reputations of BCs are built through repeated transactions with the customers, there needs to be a focus on

awareness so that transactions can increase. Incentives for the same would need to be provided by the Bank / government. There is also a need for greater inter-operability between Banks when considering the BC viability in terms of the number of transactions that can then be conducted.

When looking at the attrition rate, some of the BCNMs are concerned regarding the ongoing problem – with attrition rates as high as 60%. The main reason for attrition is due to the low salaries / commissions that are given to BC for the amount of work that they do. Other BCNMs however claim that they have managed to retain their BCs, and that the BCs are optimistic about the future potential of micro-insurance that will come in with Phase II of PMJDY.

Overall, from the discussions with BCNMs, it was noted that although PMJDY has definitely led to an improvement in the state of financial inclusion in Madhya Pradesh, there is still a long way to go for it to become sustainable. While accounts openings have been done successfully, there is now a need to focus on diversifying to include other products and to encourage people to save more. This in turn will cause an increase in the level of transactions and thereby more income for the BCs who are actually carrying out the work. Financial awareness is a crucial area where there needs to be greater emphasis.

## 6. Findings from survey of Business Correspondents

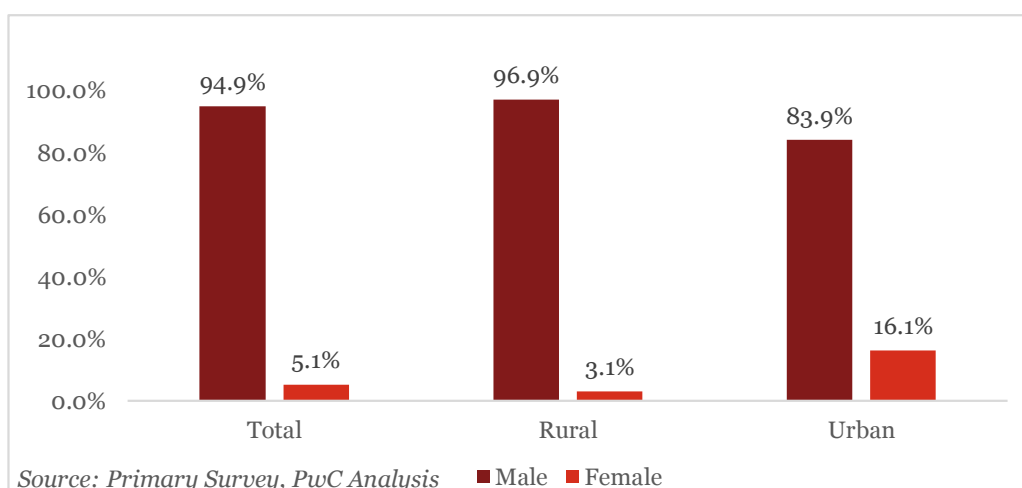
This section of the report discusses in detail findings from primary survey of Business Correspondents involved in financial inclusion in the state of Madhya Pradesh. Information was collected through personal interviews with Business Correspondents at kiosks / outlets from where they operate to have a first-hand experience of their working environment and contextualise the overall process. Information gathered through Business Correspondents primarily focused on aspects of accounts and clientele, financial literacy and capacity building, operational issues, need for institutional support, viability as a BC, among other demographic details.

### *Demographic profile of Business Correspondents*

#### *Location of BC interviewed and their Gender composition*

A total of 350 Business Correspondents (BCs) were interviewed in the present study, of which around 84% (294 in nos.) were in the rural areas and the remaining 16% (56 in nos.) were in urban locations. Even though an attempt was made to provide for gender balance, the overall universe of BCs indicated that it is primarily male who constituted the major chunk of BCs. Analysis of data by location suggested that around 16% of all BCs in urban areas and around three percent in the rural locations were females (Figure 9). It could be inferred from data that lesser females in rural areas take up a role as a Business Correspondent.

**Figure 7: Percentage distribution of BCs by gender and location**

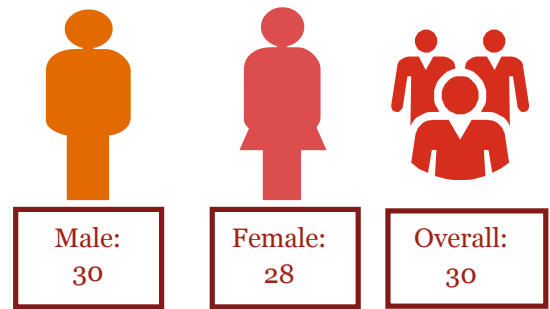




### Average age of Business Correspondents

The present study asked for the current age of BCs (in completed years), to understand whether the cohort of BCs comprised of a younger or an older group. The average age of BCs at an aggregate level was around 30 years, with a minimum of 18 years and a maximum of 51 years (Figure 10). Analysis of data by gender revealed that average age of males (30 years) was slightly higher than females (28 years). Furthermore, Business Correspondents in rural areas (average age: 30 years) were slightly younger than those in urban areas (average age: 31 years).

**Figure 8: Average age of BCs by gender**

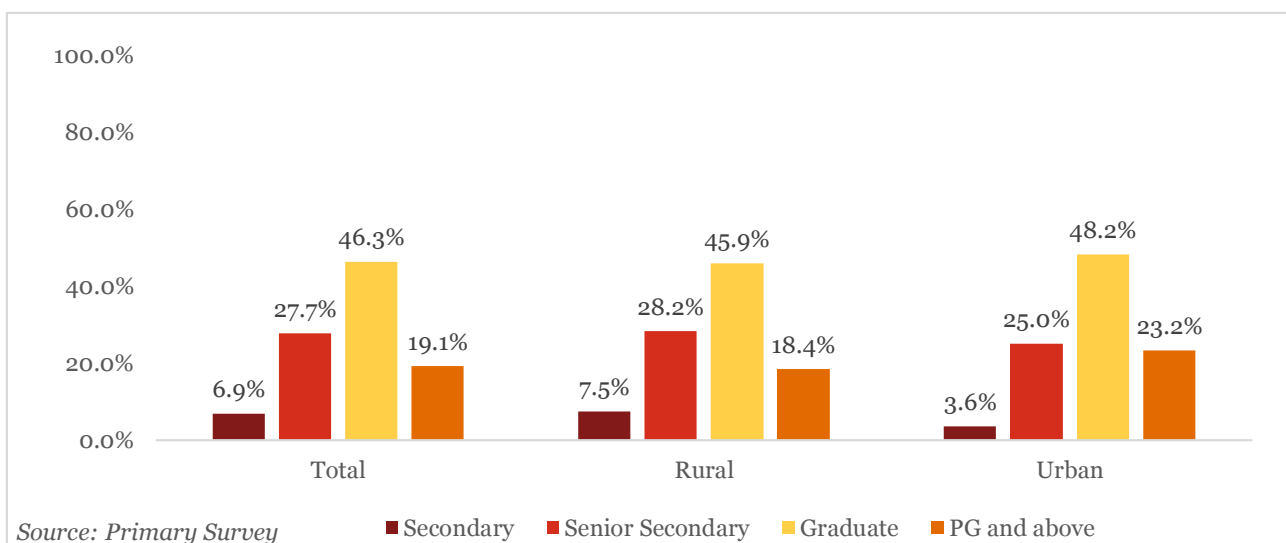


It was also observed that close to 30% of all BCs interviewed were up to 25 years of age, while another 53% were in the age group of 26 to 35 years. Another 14% were aged between 36 to 45 years and around three percent were more than 45 years of age. When data was analysed by location, it was observed that 55% of all BCs in rural areas were aged 26 to 35 years, while 43% of the BCs interviewed in urban locations were in the same age group.

### Educational level of Business Correspondents

The present study enquired about the highest level of education completed by Business Correspondents. Analysis of data shows that close to 46% of all BCs interviewed were graduates and around 19% were post graduates or above. Another 28% completed education until senior secondary (class 12<sup>th</sup>) and seven percent were educated until secondary (class 10<sup>th</sup>) (Figure 11). It could be inferred from data that close to one third of all BCs interviewed were educated until senior secondary (class 12<sup>th</sup>). Our interactions with Corporate BCs, Banks and other stakeholders indicated that those who are graduates or above are preferred during selection of BCs. But in many sub-service areas (SSAs), especially in the deeper pockets and tribal locations, it is difficult to get such candidates. As such, candidates with lesser education levels are also appointed.

**Figure 9: Educational level of BCs interviewed by location**



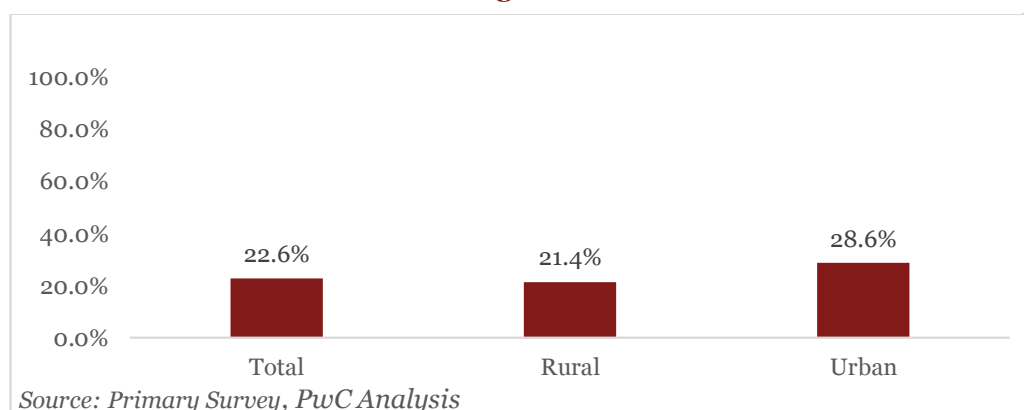
Analysing the data by districts suggested that in Sheopur proportion of BCs who were graduates and above is only 43% which is lower than average in MP which is 45.9%. Whereas around 95% of the BCs interviewed in Shahdol were graduates or above.

### *Involvement in ancillary activities than a Business Correspondent*

Field observations and interactions with stakeholders suggested that income of Business Correspondents is seasonal in nature. It was observed that income of BCs was substantial in the initial phases when the focus was on opening of new accounts. But, as soon as the number of new accounts comes to saturation, the income levels was seen to decline. Sometimes it becomes difficult to sustain only on the income as a Business Correspondent, and this forces them to take up other ancillary activities. The present study enquired from all BCs interviewed about their involvement in any other activity for income generation.

Analysis of data shows that close to 23% (79 BCs) of the respondents were involved in activities other than their principal operations of being a Business Correspondent to earn extra income. Furthermore, around 21% of all respondents in rural areas and 30% in urban locations were involved in other income generating activities than their principle job of acting as a BC (Figure 12).

**Figure 10: Percentage of respondents involved in ancillary activities than being a BC**



Of all the respondents who were involved in other income generating activities, around 57% of them were aged between 26 and 35 years. Among the younger cohort aged up to 25 years, around 19% were involved in other activities than the usual course of operating as a Business Correspondent. It could be inferred from data that as the responsibilities of family increases, it becomes difficult for Business Correspondents to sustain on a single source of income from BC operations only, and then they seek other potential opportunities to earn extra income.

Analysis of data for BCs involved in other income generating activities also revealed that around 49% of them were running a shop for mobile recharge / printing / photo-copy / fax / stationary. Another 14% were working as agricultural labourers and close to 11% had a ration shop. Observations from field suggest that BCs generally operate from a kiosk which is in a central marketplace for adjoining villages and they install equipment for photocopying etc. in the shop.

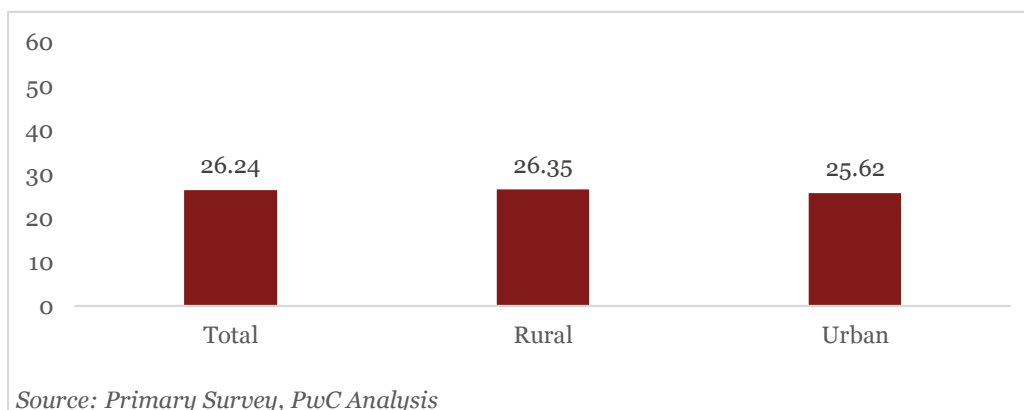
## Operations as a Business Correspondent

The present study enquired all Business Correspondents interviewed for their awareness, knowledge and involvement in financial inclusion. Financial inclusion, under PMJDY, is currently in the second phase of implementation where coverage is no more an issue. At this juncture, it is imperative to understand the level of association and satisfaction of BCs with the overall process, to contain attrition, and keep them motivated to ensure that regular transactions occur.

### Association with financial inclusion

The present study asked all BCs interviewed the duration for which they have been involved in financial inclusion. Overall, BCs were associated with financial inclusion for close to an average 26 months (Figure 13). There was no noticeable difference in the length of association between BCs in rural and urban locations (Figure 13).

**Figure 11: Average duration of association with financial inclusion (in months)**



It was also observed that around 63% of BCs interviewed were involved in financial inclusion before the launch of PMJDY. Interactions with these BCs suggested that once PMJDY was launched, the entire ambit of services under financial inclusion was focused on the scheme and they had to transit from traditional financial inclusion programmes of individual Banks to the single platform of PMJDY. It could be inferred from the data that financial inclusion was prevalent before the initiation of PMJDY and the BCs were operating and providing services under the schemes by individual Banks. However, once PMJDY was launched, it helped in increasing the coverage and widening the net of financial inclusion.

### Reason for joining financial inclusion

The present study made an effort to better understand the aspirations of BCs which motivated them to join the process of financial inclusion. Close to 41% of the respondents mentioned that they decided to be a Business Correspondent as they aspired to be part of banking sector and have a secure job. They were of the opinion that getting associated with a Bank will enhance their social status and will provide them with a regular source of income (Table 12). They also thought that working as BC will provide them with flexibility and they will be also

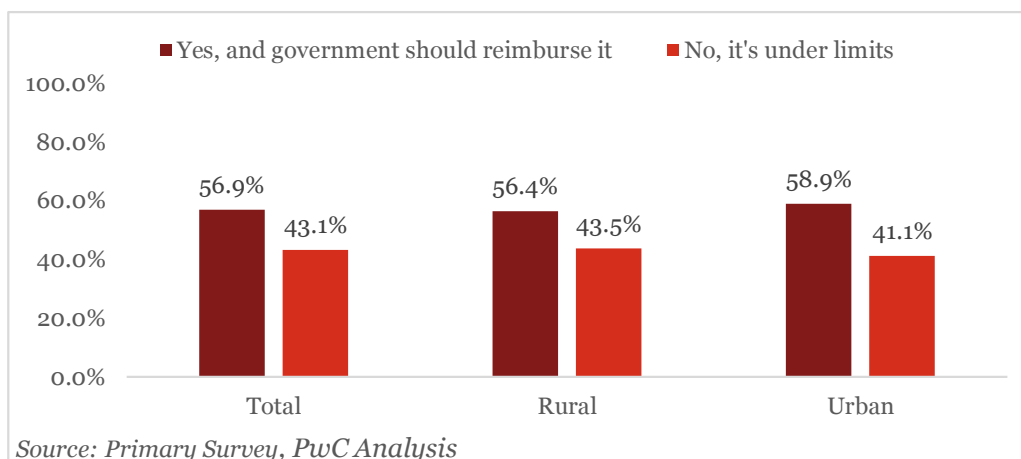
be able to take care of other activities like agriculture and they will also not be required to migrate. 17% of respondents mentioned that they wanted to earn extra income from their job as a BC, while close to 10% found the incentive structure to be lucrative and joined in the financial inclusion process. Of all those BCs who were involved in any other income generating activity (79 BCs), only two of them were of the opinion that the earning potential in being a BC could be better than their current job. It could be inferred from data that incentive structure and earning potential was not a pull factor to get the best talent associated with financial inclusion. Majority of the BCs enrolled as they thought it will be a chance for them to get into the banking sector, and perhaps at a later point of time, be considered as Bank branch employees or permanent employees of the Bank, while being in their own village.

**Table 12: Reasons to become a Business Correspondent (%age)**

<i>Reasons to become a Business Correspondent</i>	<b>Location</b>					
	<b>Total</b>		<b>Rural</b>		<b>Urban</b>	
	<b>Nos.</b>	<b>%</b>	<b>Nos.</b>	<b>%</b>	<b>Nos.</b>	<b>%</b>
<b>Wanted to join banking industry for a secure job</b>	<b>144</b>	<b>41.1%</b>	<b>116</b>	<b>39.5%</b>	<b>28</b>	<b>50.0%</b>
To earn extra income than current job	59	16.9%	49	16.7%	10	17.9%
Have a strong influence in and around the village/city and thought will succeed in the job	48	13.7%	45	15.3%	3	5.4%
Did not wanted to settle in a different location	41	11.7%	38	12.9%	3	5.4%
Liked the incentive structure and income opportunities	33	9.4%	27	9.2%	6	10.7%
No other job opportunity was available	19	5.4%	17	5.8%	2	3.6%
Recommended by my friends'/family	4	1.1%	2	.7%	2	3.6%
Found this to be better than my previous job in terms of earning potential	2	.6%	0	0.0%	2	3.6%
<b>Total</b>	<b>350</b>	<b>100%</b>	<b>294</b>	<b>100%</b>	<b>56</b>	<b>100%</b>

### *Initial investment made by a Business Correspondent*

Business Correspondent needs to make some initial investment to buy peripherals like laptop/computer, POS machine, biometric device, printer/scanner, UPS for power backup, etc. On an average, a BC invested Rs 32,516 in setting up the business. The investment was slightly higher in rural areas (Rs 32,858) than in urban locations (Rs 30,011). Around 57% of them mentioned that initial investment is a burden on them and should be reimbursed by the government. It was also observed that more BCs in urban locations (59%) considered this as against 56% of rural BCs (Figure 14).

**Figure 12: Proportion of BCs who believe initial investment is a burden**

### *Details of clientele and accounts*

The initial thrust of PMJDY was to increase coverage and bring the unbanked population into the ambit of financial inclusion. The commission structure under PMJDY motivated BCs to focus more on account opening during the initial phases. To have an overview of the scale of operations, the present study enquired for the number of accounts handled by each BC. On an aggregate each BC had 2,335 accounts with them, which included 1,386 accounts for male customers and 969 female customers (Table 13). Analysis of the data by location highlights that the average number of accounts with each BC in the urban area was around 5,211, which was nearly three times as compared to that in the rural area (1,812 accounts per BC).

In percentage terms, close to 40% of all accounts were of female customers. It could be inferred from data that financial inclusion has not only helped to provide banking services to the unbanked population, but has also been instrumental in enabling women to be financially secure and making them empowered.

Analysis of data for number of clients / accounts by location suggested no marked variance in terms of gender composition of clientele. It was also observed that around three percent of account holders send remittances to their families through the BC channel. Analysis by location suggested that close to eight percent of account holders in urban areas and around two percent in rural areas sent remittances to their families.

**Table 13: Average number of accounts by location**

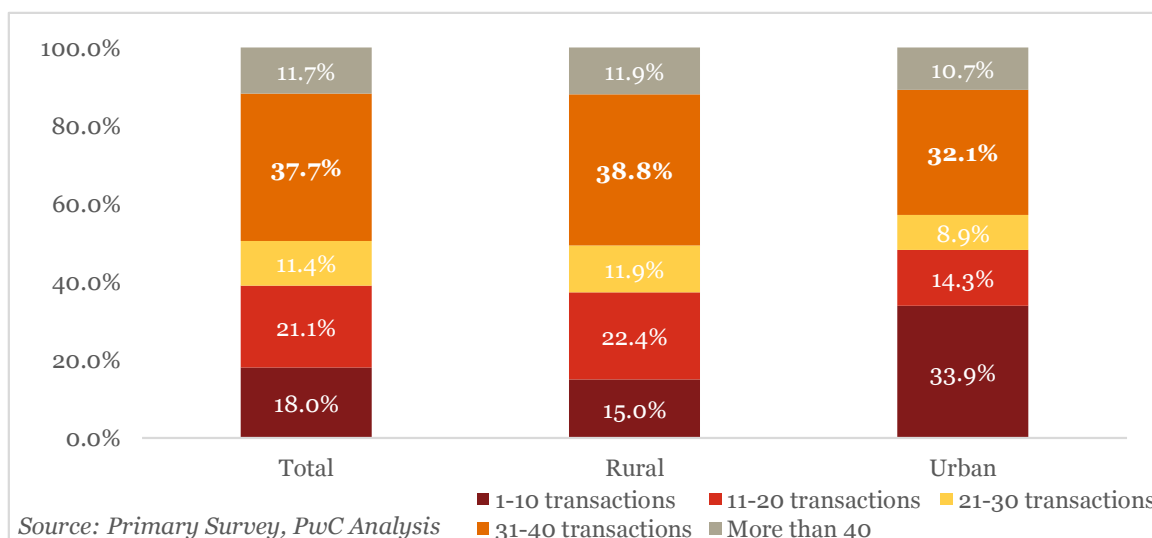
<i>Average number of accounts</i>	<b>Location</b>		
	<b>Total</b>	<b>Rural</b>	<b>Urban</b>
<b>Total</b>	2,355	1,812	5,211
<b>Male</b>	1,386	1,087	2,958
<b>Female</b>	969	725	2,253

One of the mandate of PMJDY account is to route all G2P transfer of subsidies in due course of time to regularise payments and minimise leakage. In the present study, it was observed that close to 20% of all accounts received payments from social security schemes such as NREGA, pension, scholarship and subsidy for LPG. Analysis by location suggested that close to 17% of accounts in rural areas and around 25% in urban locations received payments from any of the social security schemes. It was also observed that more females (26%) than males (19%) were receiving payments under these schemes.

**RuPay Cards:** Interaction with Business Correspondents suggested that 30% of all account holders have received their RuPay cards. It was observed that more number of customers in rural areas (37%) than in urban areas (20%) have received their RuPay cards. In many cases, customers were not interested in following up for RuPay card as they had to go to the Bank to get pin number of the card to operate it. The average distance of the linked Bank branch from a BC location was about 12 kms in rural areas and 10 kms in urban locations. It was observed that customers were reluctant to travel all the way to the Bank as they were not sure of getting the pin number.

**Average volume and value of transactions:** The study also tried to get an understanding of the number of transactions per day and average amount per transaction. Analysis of data suggested that on an average, a BC does 33 transactions per day. BC in rural areas did 33 transactions per day and those in urban locations did 30 transactions per day. Interactions with BCs suggests that the number of transactions increases when money from social security schemes (like NREGA and pension), scholarships and gas subsidies is credited in the accounts of clients. During this time, the number of transactions rises as high as 120-130 per day. 80% of these transactions are withdrawal.

**Figure 13: Number of transactions per day (%age of BCs)**



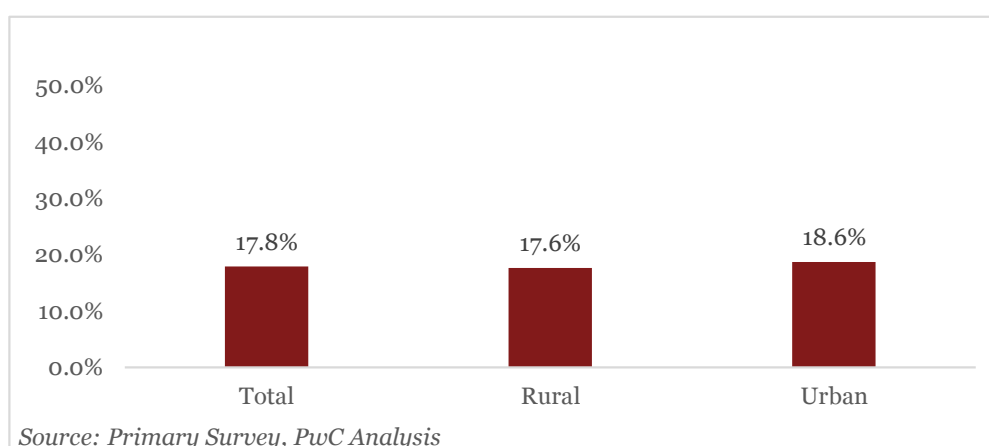
The average amount per transaction done by clients was also checked. The average amount per transaction was approximately Rs 312, which was higher in rural areas (Rs 322) than in urban locations (Rs 257).

## Transaction in Bank accounts

One of the debates in financial inclusion has been the increasing number of inactive / zero-balance accounts wherein even though the account has been opened but customers do not transact. Such inactive accounts add to the income of the BC only once when they are opened. However there is no further income generated for the BC as a result of absence in transactions. The present study collected information from all BCs on the proportion of accounts which were inactive in the last six months.

At an aggregate level, close to 18% of accounts were inactive in past six months. The proportion of inactive accounts was slightly higher in urban areas (19%) than in rural locations (18%) (Figure 16).

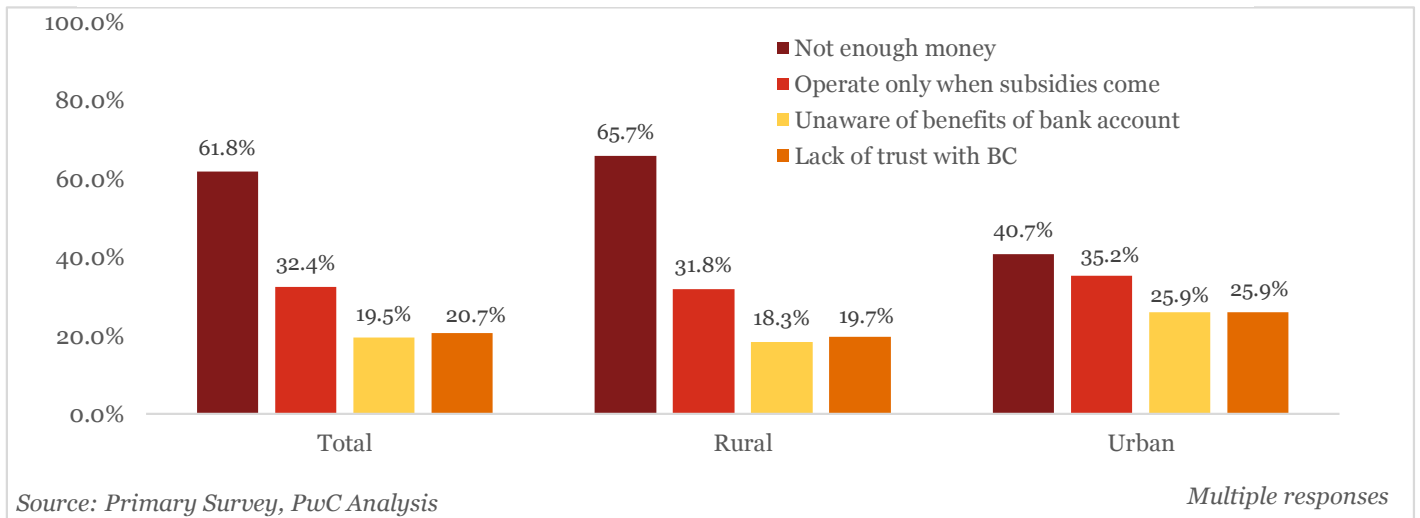
**Figure 14: Proportion of inactive accounts in past 6 months**



15% of all accounts were inactive with those BCs who have been operating for more than three years. It was also observed that the proportion of inactive accounts was higher at 21% with those BCs who joined financial inclusion post PMJDY than those who were involved before the scheme with 16% inactive accounts.

When the BCs were probed for the reasons for inactive accounts, about 62% of BCs mentioned that most of the account holders are below poverty line and do not have enough money to deposit in their accounts. This proportion was lower in the urban areas (41%) than in the rural areas (66%). Around 32% of BCs mentioned that most of these accounts have been opened to receive payments from social security schemes (like NREGA and pension) and gas subsidies (Figure 17). Nearly 21% of BCs also mentioned that customers often do not feel safe depositing money with the BC, resulting in a lack of trust. Interactions with BCs suggest that most of the customers are comfortable withdrawing money from the accounts, but refrain from depositing cash.

**Figure 15: Reasons for customers not operating accounts (%age)**

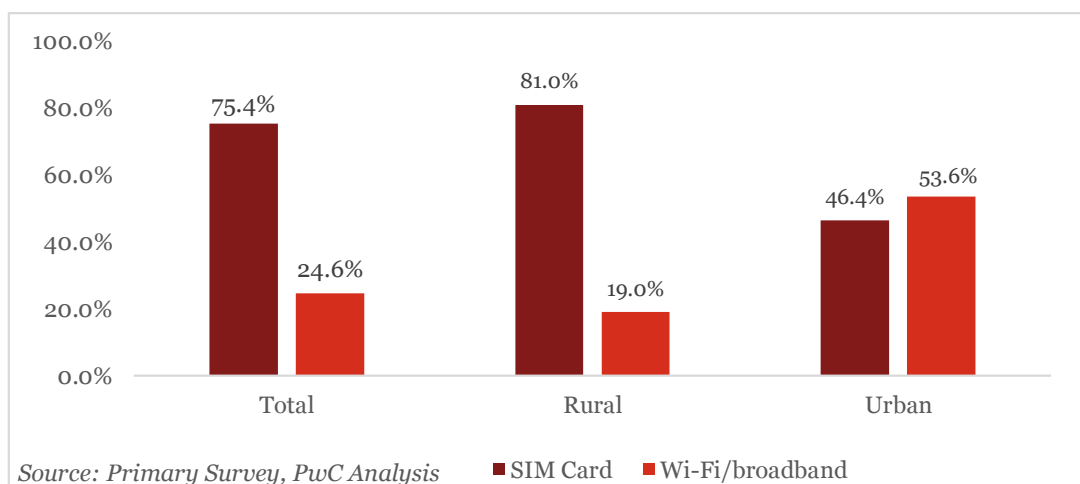


### Internet connectivity and technological challenges

The model of financial inclusion through Business Correspondents is technology driven and completely reliant on internet connectivity. Interactions with key stakeholders during initial phases of the study pointed out that lack of connectivity in the rural areas and interiors of the state is one of the major challenge in the success of BC model.

About 75% of BCs interviewed used SIM/data card, while the rest 25% had a broadband connection. Observations from field suggest that in some villages, BSNL has established offices, which makes it easier for BCs to have a broadband connection. Analysis of data by location suggested that a large proportion of BCs in rural areas, around 81%, were connected to internet through SIM/data card, while the remaining 19% had a broadband connection. In contrast, 54% of BCs in urban areas had a broadband connection and the remaining 46% were connected through a SIM card (Figure 18).

**Figure 16: Mode of internet connectivity (by location)**

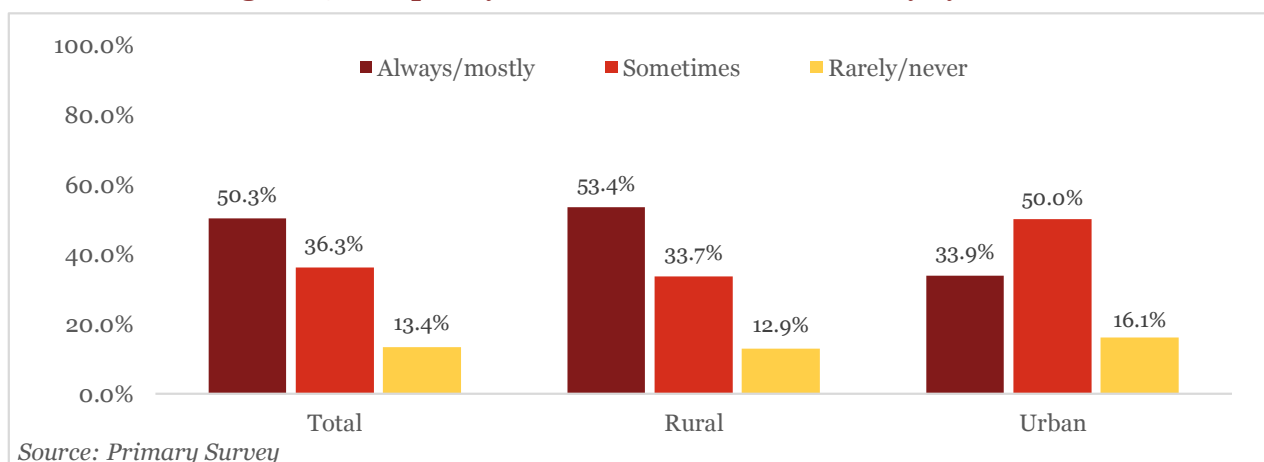




Business Correspondents interviewed in the present study were also asked if they face issues related to loss of internet connection as well as the frequency of loss. Close to 50% of all BCs interviewed mentioned that they have daily / regular issues with internet connectivity, whereas another around 36% of the BCs had issues with internet connection once in two to three days. Analysis of data suggested that more respondents in rural areas (53%) than in urban locations (34%) face connectivity issues on a daily / regular basis (Figure 19).

Analysis of data at district level suggested that the problem of loss of internet connectivity was more prevalent in the districts of Rajgarh, Panna, Rewa, Betul, Datia, Balaghat and Tikamgarh; where more than 50% of all BCs interviewed mentioned daily / regular issues.

**Figure 17: Frequency of loss of internet connectivity by location**



## ***Payments and income through BC channel***

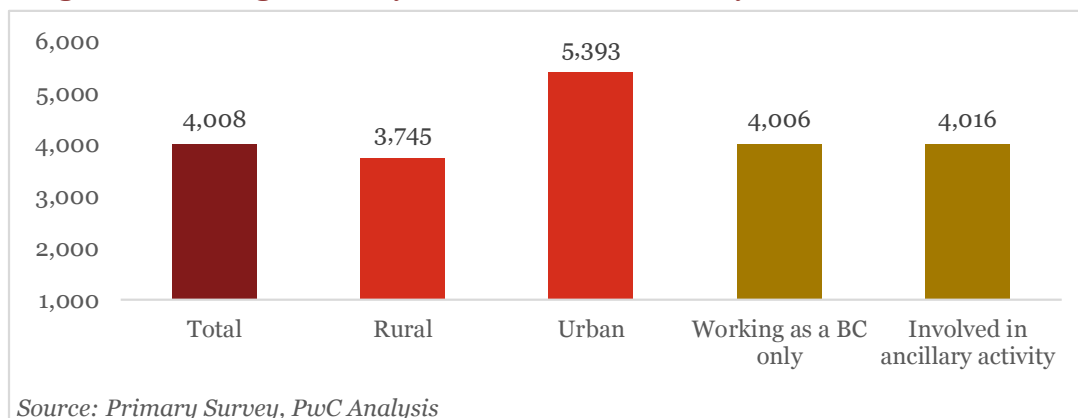
*The core idea of financial inclusion is not only to enhance the reach of banking services to the unbanked population, but also to provide a sustainable source of income to Business Correspondents. Sustainability of the model is critical to keep the Business Correspondents motivated and contain their attrition. In the long run, if payments and income from the channel are not regularised, this may lead to lack of trust in the process which will be unviable. The present study made an effort to understand the viability and sustainability of the model in financial terms.*

## ***Average monthly income of Business Correspondents***

The income of Business Correspondents is heterogeneous in nature and depends on timing of the year (particularly related to disbursement of social security and pension payments). During field visits, it was observed that income of BCs was higher during the initial phases of PMJDY, because it was primarily focused on coverage and opening of new accounts. As number of accounts has saturated over time, income of BCs has shown a declining trend, as the commission on transactions is much less than on opening a new account. As discussed above, customers transact in their accounts mainly to withdraw money that comes from government schemes, which limits the earning potential of a Business Correspondent.

The average monthly income (including fixed component and commissions) of a BC interviewed in the present study was Rs 4,008. BCs in rural areas earned Rs 3,745 and those in urban locations made an income of Rs 5,393 on a monthly basis (Figure 20). BCs who were involved in any other ancillary income generating activity earned Rs 4,016 from BC operations and those who were solely involved as a BC earned Rs 4,006 on a monthly basis.

**Figure 18: Average monthly income (in Rs) of BCs by location and work status**



Analysis of data at district level suggested that monthly income of BCs in Jhabua was the highest at Rs 6,550-, followed by Bhopal at Rs 5,919- and Rajgarhat Rs 5,361- The bottom three districts where the BCs had the lowest monthly earnings were Jabalpur at Rs 3,065-, Shahdol at Rs 2,750- and Rewa at 2,661–refer to (Table 14).

**Table 14: Average monthly income (in Rs) of BCs by districts**

Districts	# BCs interviewed	Average monthly income (in Rs)
Jhabua	10	6,550
Bhopal	21	5,919
Rajgarh	33	5,361
Jabalpur	22	3,065
Shahdol	20	2,750
Rewa	23	2,661
Balaghat	12	5,242
Ujjain	30	4,503
Barwani	19	4,395
Datia	25	3,980
Sheopur	23	3,674
Tikamgarh	43	3,580
Mandsor	13	3,515
Vidisha	15	3,487
Panna	26	3,327
Betul	15	3,247
<b>Total</b>	<b>350</b>	<b>4,008</b>

Data was analysed to understand the composition of the overall payment received by BCs. Analysis of data revealed that, on an average, around 59% of the payment received by BCs was fixed salary provided by associated Banks. The amount of fixed remuneration varies from one Bank to another. Another 14% of the payment was allowances and interest on liquidity maintained by BCs in their account. Commission from opening accounts, transaction and other account related services contributed 28% of the total payment to the BC. It was observed that a BC made on an average Rs 1,090 as monthly commission, which was Rs 1,456 in urban areas and Rs 1,021 in rural locations.

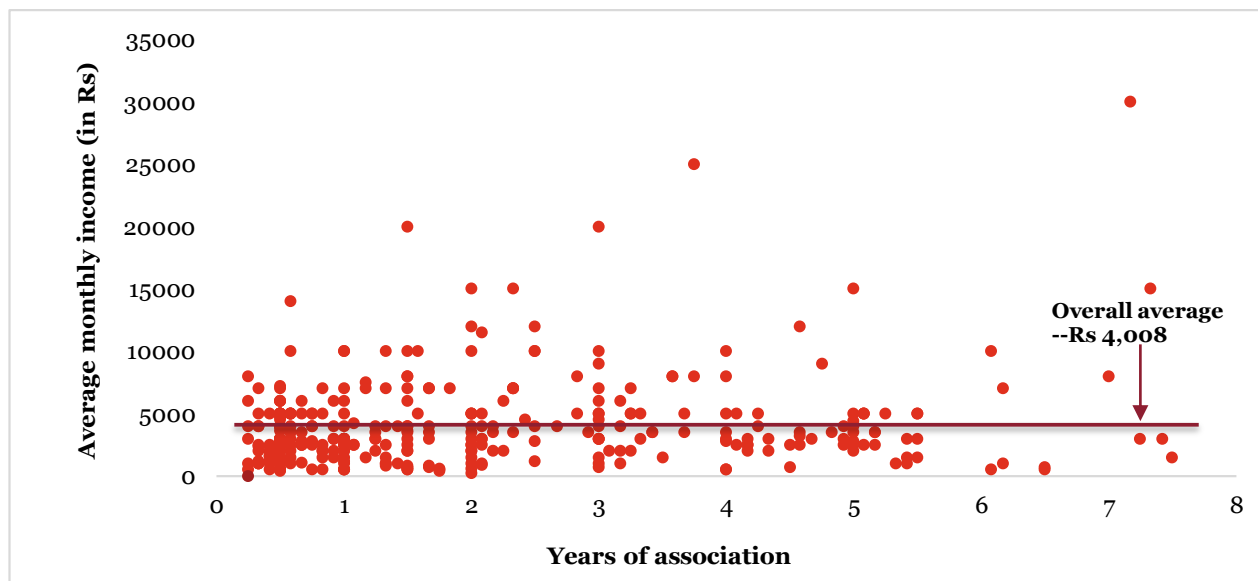
To have further understanding of income from BC operations, analysis of data was done by years of association of a BC with financial inclusion. It was observed that average income of those BCs involved for a year was Rs 3,243, which increased to Rs 4,065 for those with two years of association and increased further to Rs 5,354 and Rs 5,046 for those associated for three and four years respectively. It was also observed that monthly income of those BCs involved for more than four years declined to Rs 4,306.

It could be inferred from data that average income of Business Correspondents is low initially when they start their work and are in the process of opening new accounts. As they settle in and number of new accounts increases, their earnings also increase on a constant basis for 2-3 years. However earning decreases significantly when a BC has opened most of the accounts in their SSA and their own source of earning is from the transaction by clients in their saving bank account.. Most of these BCs opine that the business is profitable only until opening of new accounts and once that is over, they make infrequent visits to clients to interact with them and motivate them for savings. Analysis of data suggests that close to 63% of BCs interviewed were under the opinion that the business is not viable after the initial phase of account opening is over. 77% of urban BCs as against 61% of rural BCs have the similar opinion.

It was also observed that income of a BC is not linearly related to their years of association with financial inclusion (Figure 21), though it is a significant predictor of income. Data reflects that income of a BC does increase with longer association, but not on a constant basis, and there are BCs with lesser association who still make a good income. Analysis shows that close to 67% of BCs (235 in nos.) interviewed in the present survey were associated with financial inclusion for close to 2 years and had an average income lesser than the overall average of Rs 4,008 (Figure 21).

Among all BCs interviewed in the present study, the highest income of Rs 30,000 per month was noted for one in Rajgarh. He was 34 years of age, with a post-graduate degree, and his kiosk was located in the urban area. He was working as a BC for the past 2 years and had 28,000 accounts with him. It was observed that his clients were not only withdrawing money from their accounts, but were also depositing on a regular basis. Also, he mentioned that each of his customers operate their account at least once in two weeks. So, he was not only making money by opening new accounts, but regular transactions and a healthy overall balance in his account added to his income.

**Figure 19: Scatter plot for average monthly income (in RS) of BCs and years of association with financial inclusion**



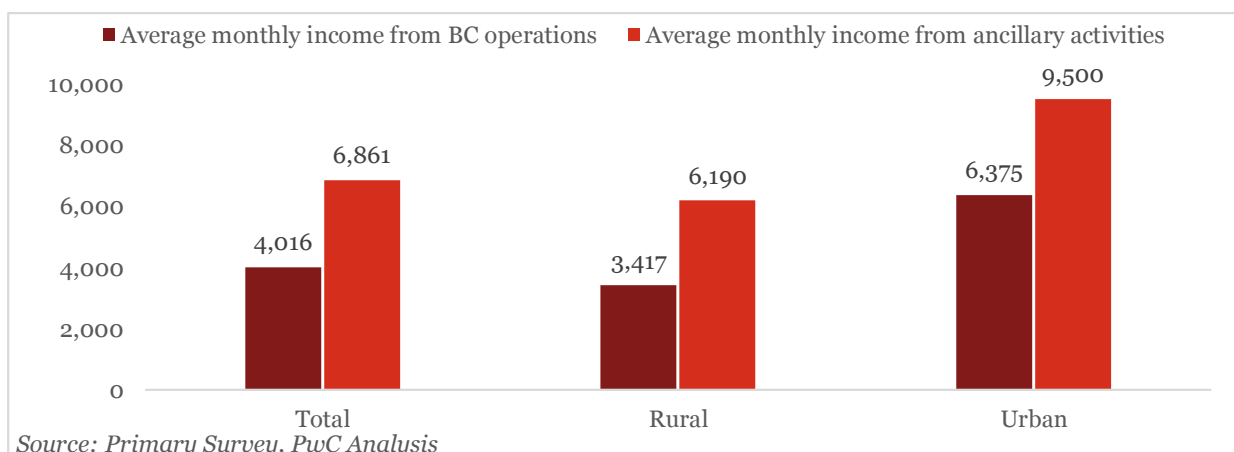
Analysis of data by number of accounts suggested a gradual increase in income with increasing number of accounts. BCs with up to 1,000 accounts had an average income of Rs 3,200 which increased to Rs 5,006 when BCs had 3,000 accounts and to Rs 7,958 for BCs who had more than 4,000 accounts. It was observed that the increase in number of accounts is not proportionate to the increase in income, as the commission on opening of new accounts is more than transactions, which is limited in most cases to withdrawal of money from social security schemes (NREGA, pension, scholarship, subsidy, etc.).

### *Average monthly income of Business Correspondents from ancillary activities*

As discussed above, about 23% (79 in nos.) of BCs interviewed in the present study were involved in activities other than their principal operations of being a Business Correspondent, to earn extra income. All of these BCs were also enquired for the income they earned from ancillary activities. Analysis of data shows that the monthly income of these respondents from BC operations only was Rs 4,016, which was as high as Rs 6,861 from ancillary activities only. The difference was higher in rural areas wherein a respondent made Rs 3,417 from BC operations only and Rs 6,190 from ancillary activities only (Figure 22). In urban locations, the respondents earned Rs 6,375 from BC operations only and Rs 9,500 from ancillary activities only on a monthly average basis.

Data reflects that in general, income of BCs from ancillary activity is on the higher side than from the primary occupation of being a Business Correspondent. The overall difference between income from BC operations and from ancillary activities is skewed towards the later by around 71%, with 81% in rural areas and 49% in urban locations.

**Figure 20: Average monthly income (in INR) from BC operations and ancillary activities**

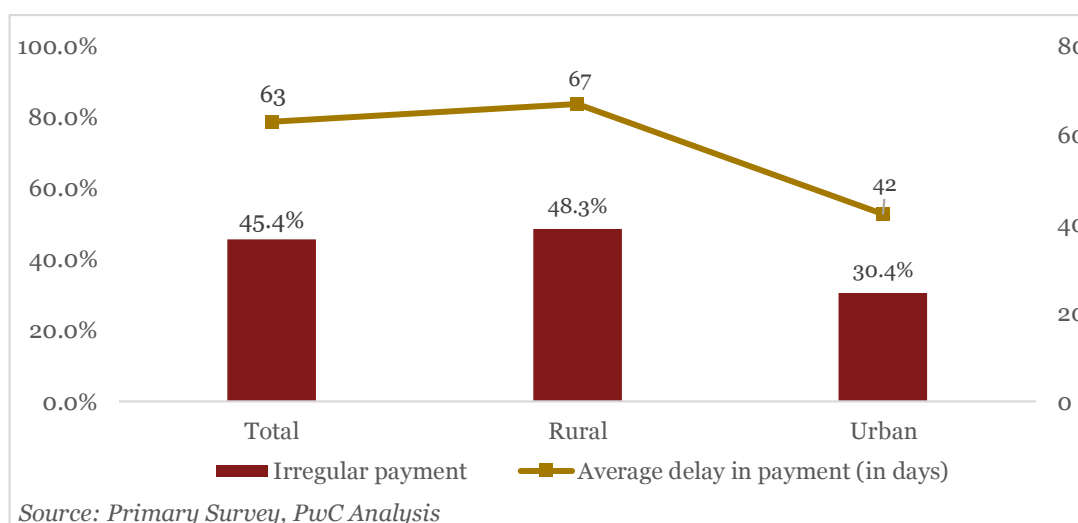


### Delay in receipt of payments

Interactions with Business Correspondents during initial phase of the study indicated that payment of salary and commission was delayed on a regular basis, which was also a reason for lack of trust and higher attrition among Business Correspondents. The present study made an attempt to quantify the finding and enquired about delay in receipt of payments from Bank/corporate BC from all Business Correspondents interviewed.

Close to 45% of BCs mentioned that their salary and commission never came on time. Proportion of BCs mentioning irregularity in payments was higher in rural areas (48%) than in urban locations (30%) (Figure 23). Analysis at district level suggested that close to 85% of BCs in Shahdol, 80% in Jhabua and 77% in Jabalpur mentioned their payments never comes on time. The districts of Vidisha, Barwani and Balaghat had regularised payments, where around 95% of BCs mentioned no delay in payment of salary/commissions. The study also enquired about actual delay in payment of salary/commissions. It was observed that average delay in payments was 63 days, with a delay of 67 days in rural areas and 42 days in urban locations (Figure 23)

**Figure 21: Percentage of BC who mentioned irregular payments and average delay (days) in receipt of salary and commission**



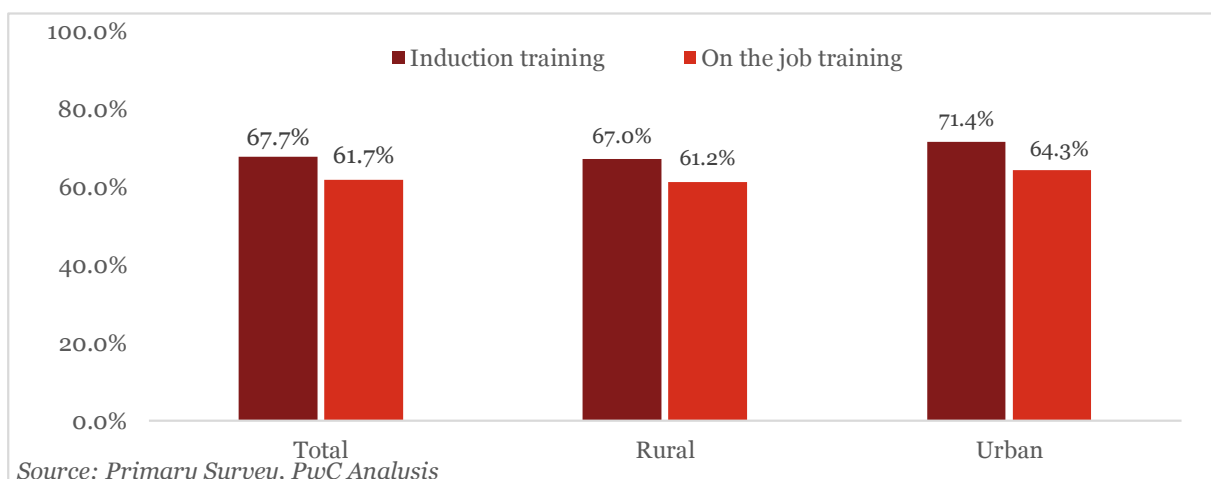
## Capacity building of Business Correspondents

Individuals who join as Business Correspondents are from the non-banking sector, who needs to be provided with adequate information and skills about all banking services and the modalities of putting through banking transactions. Skills required for operating as a BC can be no less demanding than the skills required to operate a brick and mortar Bank branch. BCs are the face of the Bank which they represent. Failure of the BC to meet their obligation and expectation of the customer can be seen as the failure of the Bank itself. The present study enquired about trainings received and need for future capacity building from all BCs interviewed.

### Trainings received

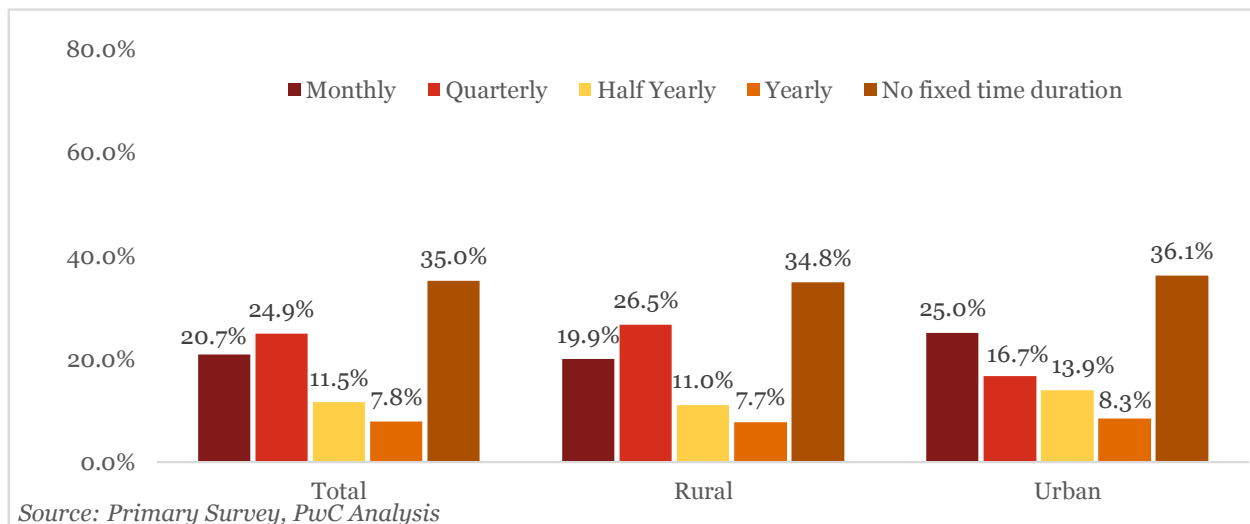
All BCs interviewed in the study were asked if they have ever received initial induction training from either Bank or corporate BC and also if they were trained on the job in between. Close to 68% of BCs mentioned that they have received an induction training. The proportion was higher in urban areas (71%) than in rural locations (67%). Around 62% of BCs also mentioned that they receive on the job training on frequent intervals, which was slightly higher in urban areas (64%) than in rural locations (61%) (Figure 24).

**Figure 22: Percentage respondents who received induction and on the job training**



The present study also collected information on frequency of trainings from all BCs interviewed. Close to 35% of BCs mentioned that there is no fixed schedule of trainings. Near about the same proportion (~35%) of Business Correspondents in both urban and rural locations opined the same. Close to 40% of respondents mentioned that trainings happen in once in four months (46% rural BCs and 42% urban BCs) and another 12% mentioned it happens once in six months (38% rural BCs and 31% urban BCs) (Figure 25).

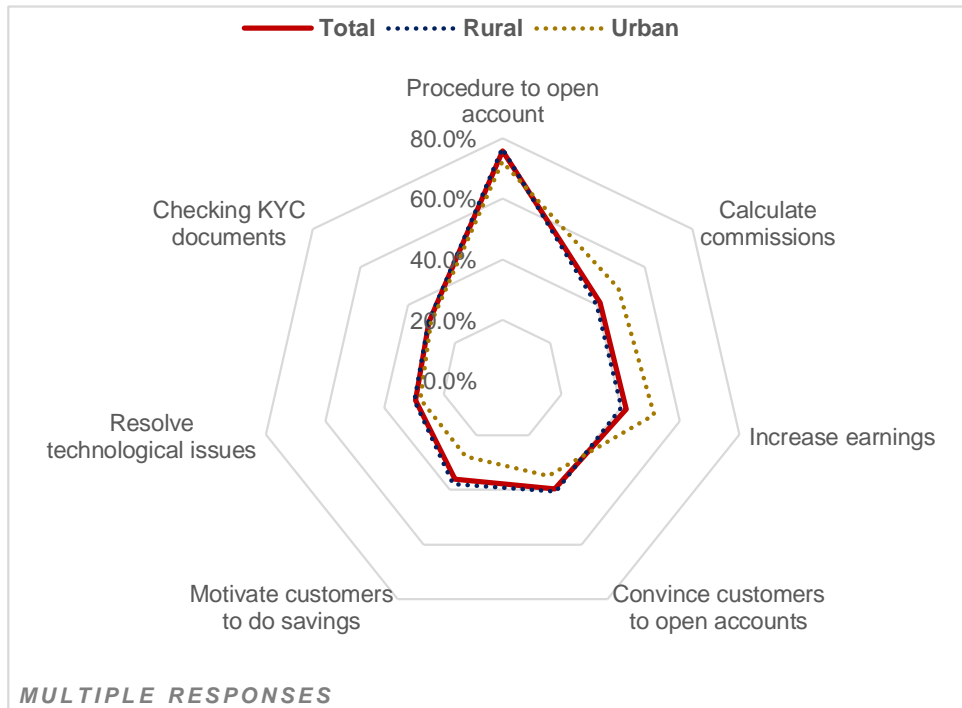
**Figure 23: Frequency of trainings**



When enquired about relevance of trainings, around 77% of BCs interviewed opined that it has helped them in day to day operations. Field observations suggest that BCs get motivated during the trainings and try to maximise their earning potential by implementing the learnings. It was observed during our interactions with the BCs that whenever there was a training organised either by Bank or corporate BC, individual BCs went to attend the trainings from as far as 20-30 kms.

All BCs who received trainings were also enquired about topics on which they were trained. The topic which was focussed the most during trainings was 'procedure to open new accounts'. Close to 76% of all respondents who received trainings mentioned that they received training on how to open new accounts. When looked into the geographical distribution, around 77% of rural BCs and 72% of urban BCs mentioned the same (Figure 26). The other topics on which most of the respondents received trainings were on 'how to increase earnings', 'how to calculate commissions' and 'how to convince customers to open Bank accounts'. Near about 40% of BCs interviewed mentioned that they received trainings on these topics. Some of the lesser dealt topics were 'how to check KYC documents', 'financial literacy' and 'how to resolve minor technological issues'. Close to 30% of BCs interviewed mentioned that they received training on these topics.

**Figure 24: Topics on which BCs received trainings**

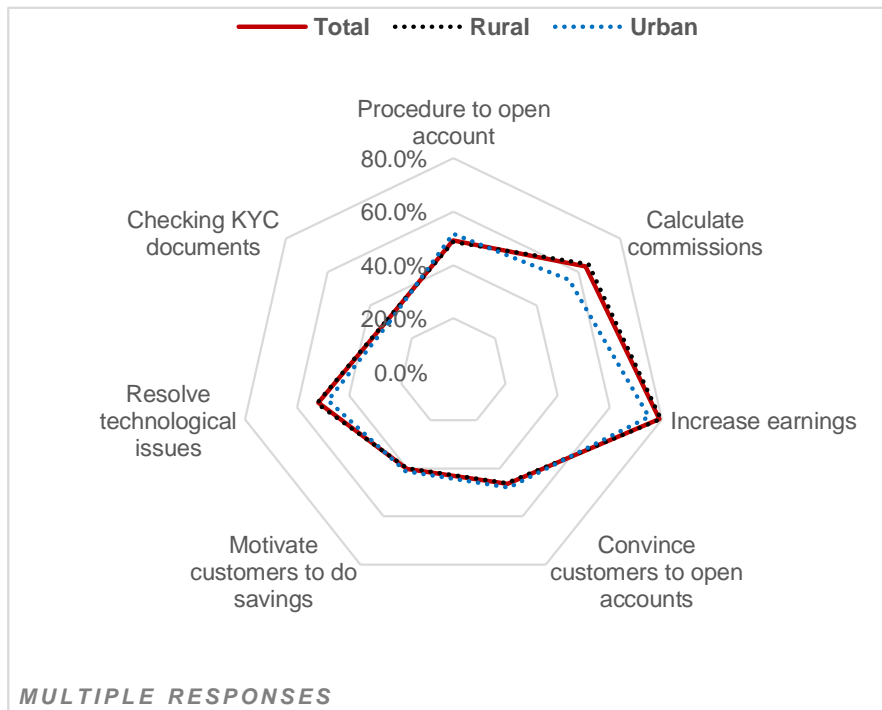


### *Need for trainings*

The study also enquired BCs about topics on which they need training. 79% of BCs mentioned that they need training on how to increase their income. 75% of BCs in urban areas mentioned that they needed training on how to increase their income from BC operations, while around 80% of BCs in rural locations opined the same (Figure 27). The next most sought after training need was on how to calculate commissions (63%) and how to resolve technological issues (52%). Around 65% of BCs in rural areas expressed the need for training on how to calculate their commissions, while around 55% BCs in urban locations opined the same. Analysis of data also showed that training needs were common across Business Correspondents in both rural and urban locations.



**Figure 25: Topics on which BCs require trainings**



Inferences from data shows that there is a definite need for trainings and capacity building of Business Correspondents. The focus on content of trainings also needs to be revised as the concept of financial inclusion matures over time. When coverage is no more a challenge, imparting training on how to earn more commission and how to motivate customers for savings will be more relevant than training on how to open new accounts. The same has been expressed by BCs interviewed in the present study as well. Interactions with BCs during field visits suggest that regular capacity building is necessary to keep them motivated enough and help reduce attrition. Business Correspondents are the first point of contact for banking services for many of the customers who have never been to a brick and mortar branch. It is crucial that BCs are well equipped and trained in order to provide best services and resemble an actual Bank branch.

## 7. Findings from survey of clients of Business Correspondents

*The primary focus of financial inclusion is to bring unbanked population into the ambit of banking and financial services. The present study interviewed a set of clients associated with each business correspondent. This section of report discusses in detail findings from primary survey of clients of business correspondents. Information was collected through personal interviews at the village/ward level to contextualize the overall process. Information gathered through clients of business correspondents primarily focused on aspects of their overall experience of financial inclusion, including the process of account openings, change in habit of savings, operational challenges and likeability towards BC model, among other demographic details.*

### ***Coverage and demographic profile of clients***

#### ***Coverage of clients interviewed***

A total of 1,750 clients were interviewed in the present study, who were associated with the 350 business correspondents. Of these, close to 86% (1,510 in nos.) were in rural areas and rest 14% (240 in nos.) were in urban locations. Of the 1,750 clients interviewed across 16 districts, 215 of them were interviewed in Tikamgarh, which comprised of around 12% of overall sample. Another 165 (approx. nine percent) and 150 (approx. nine percent) were interviewed in the districts of Rajgarh and Ujjain respectively. Districts with the lowest coverage were Jhabua (50 in nos.), Balaghat (60 in nos.) and Mandsoor (65 in nos.), which collectively comprised of around ten percent of overall sample. It should be noted that coverage of sample in the present study is representative of overall spread of business correspondents in these districts (Table 15).

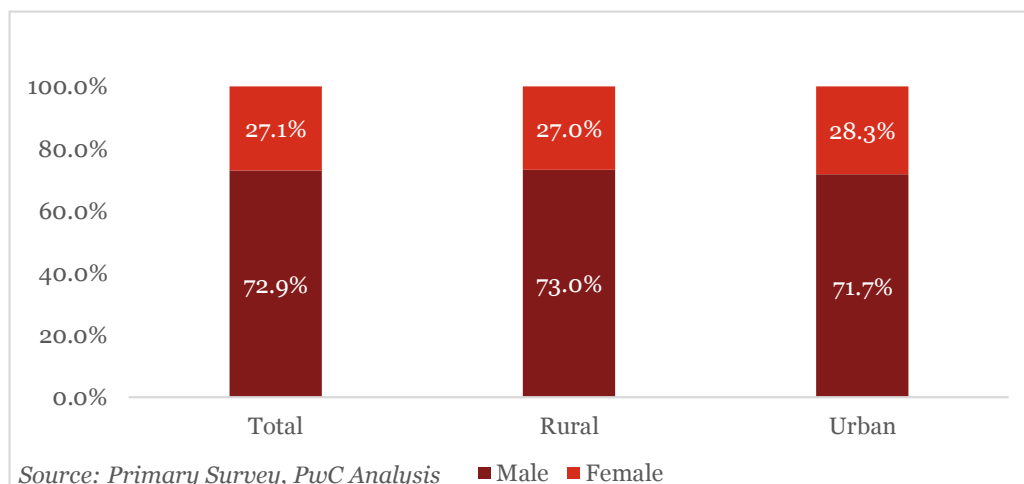
**Table 15: Coverage of sample of clients interviewed by location across districts**

Districts	Total		Rural		Urban	
	Nos.	%	Nos.	%	Nos.	%
Balaghat	60	3.4%	55	3.6%	5	2.1%
Barwani	95	5.4%	85	5.6%	10	4.2%
Betul	75	4.3%	70	4.6%	5	2.1%
Bhopal	105	6.0%	38	2.5%	67	27.9%
Datia	125	7.1%	115	7.6%	10	4.2%
Jabalpur	110	6.3%	83	5.5%	27	11.3%
Jhabua	50	2.9%	50	3.3%	0	0.0%
Mandsor	65	3.7%	55	3.6%	10	4.2%
Panna	130	7.4%	125	8.3%	5	2.1%
Rajgarh	165	9.4%	139	9.2%	26	10.8%
Rewa	115	6.6%	104	6.9%	11	4.6%
Shahdol	100	5.7%	98	6.5%	2	.8%
Sheopur	115	6.6%	100	6.6%	15	6.3%
Tikamgarh	215	12.3%	209	13.8%	6	2.5%
Ujjain	150	8.6%	115	7.6%	35	14.6%
Vidisha	75	4.3%	69	4.6%	6	2.5%
<b>Total</b>	<b>1,750</b>	<b>100.0%</b>	<b>1,510</b>	<b>100.0%</b>	<b>240</b>	<b>100.0%</b>

### *Gender Composition of clients interviewed*

One of the key focus areas of PSIG programme for financial inclusion is to bring women under the social security net and make them financially empowered. All efforts were made in the present study so as to provide for a gender balance, to the extent possible. Observations from field suggest that male counterparts in the family transact more often and their involvement in financial inclusion is high. Of all clients interviewed 1,275 of them (around 73%) were males and rest 475 (around 27%) were females (Figure 9). Distribution of clients interviewed by gender was almost similar across both rural and urban locations. It was also observed that close to 86% of all males or females were in rural areas and rest 14% were in urban locations. Analysis at district level suggested that highest proportion of females were interviewed in Tikamgarh (around 13% of total females interviewed), followed by Jabalpur (around ten percent of total females interviewed), whereas the lowest was in Balaghat and Mandsaur, which comprised of around three percent of overall sample of females.

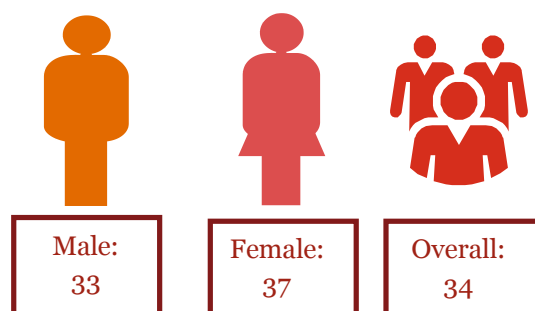
**Figure 26: Percentage distribution of clients interviewed by gender and location**



### *Average age of clients interviewed*

The present study asked for current age of clients (in completed years), to understand whether the cohort of clients comprised of a younger or an older group. The average age of clients at an aggregate level was around 34 years, with a minimum of 16 years and a maximum of 78 years. Analysis of data by gender revealed that average age of females (37 years) interviewed in the present study was higher than males (33 years). It was also observed that clients in urban areas (average age: 33 years) were slightly younger than those in rural areas (average age: 34 years).

**Figure 27: Average age (in years) of clients interviewed by gender**



It was also observed that close to 14% of all clients interviewed were up to 20 years of age, while another 35% were in the age group of 21 to 30 years. Another around 27% were aged between 31 to 40 years and around 12% were more than 50 years of age. Analysis of data by location suggested that younger cohort of clients interviewed (up to 20 years) were more prevalent in urban locations (20%) than in rural areas (13%), while the older group aged fifty and above were more in rural areas.

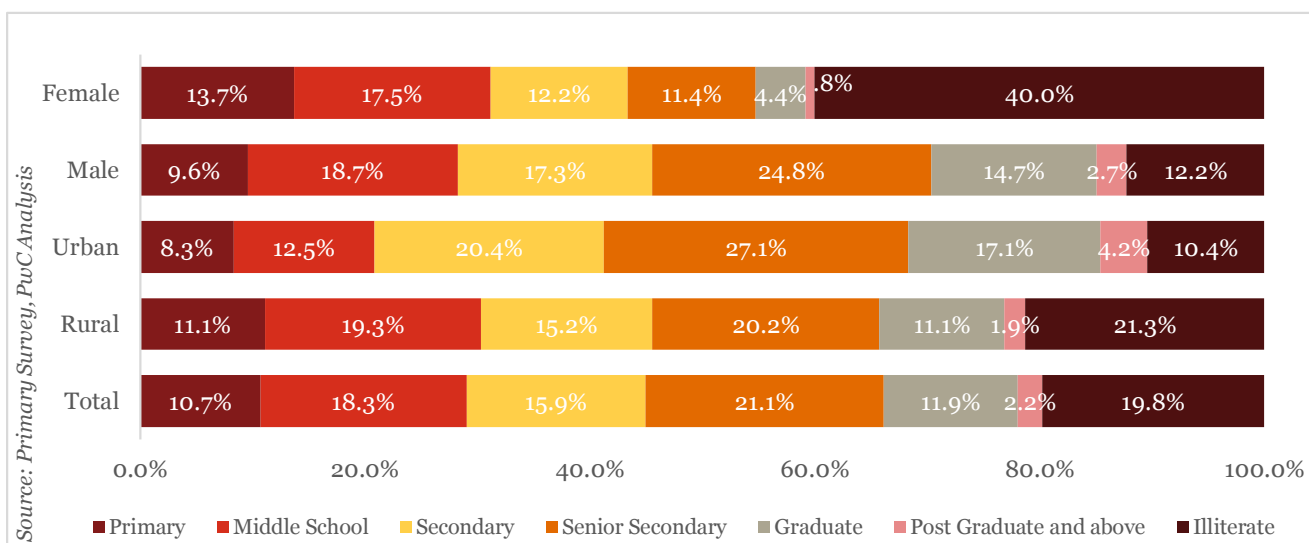
### *Educational level of clients interviewed*

The model of financial inclusion through business correspondents targets such population who do not have access to regular banking services. This target group is generally poor in nature and are marginal/casual labourers, primarily involved in agriculture. To have a better understanding of the profile of clients accessing banking and financial services through BC model, the present study enquired about their highest level of educational attainment.

Analysis of data shows that close to 21% of all clients interviewed were educated till senior secondary (class 12<sup>th</sup>), while another around 18% were educated till middle school (class 8<sup>th</sup>). Around 11% of overall sample of clients was educated till primary level, while 12% of them were graduates and only two percent were post graduates or above (*primarily males*). Close to 13% of clients interviewed in rural areas and around 21% in urban locations were graduates or above (Figure 11).

It was also noted that around 20% of all clients interviewed in the present study were illiterates. Analysis of data by location suggested that around 21% of all clients interviewed in rural locations were illiterates, while it was around ten percent in urban areas.

**Figure 28: Educational level of clients interviewed by location and gender**



Analysis of data by gender suggested that around 12% of all males were illiterates, while the proportion was as high as 40% in case of female clients. It could be inferred from data that gap between males and females increased and was skewed towards the former as the level of education increased. The highest differential among educated males and females was seen at the level of senior secondary education, where the proportion was skewed towards males by around 12 percentage points.

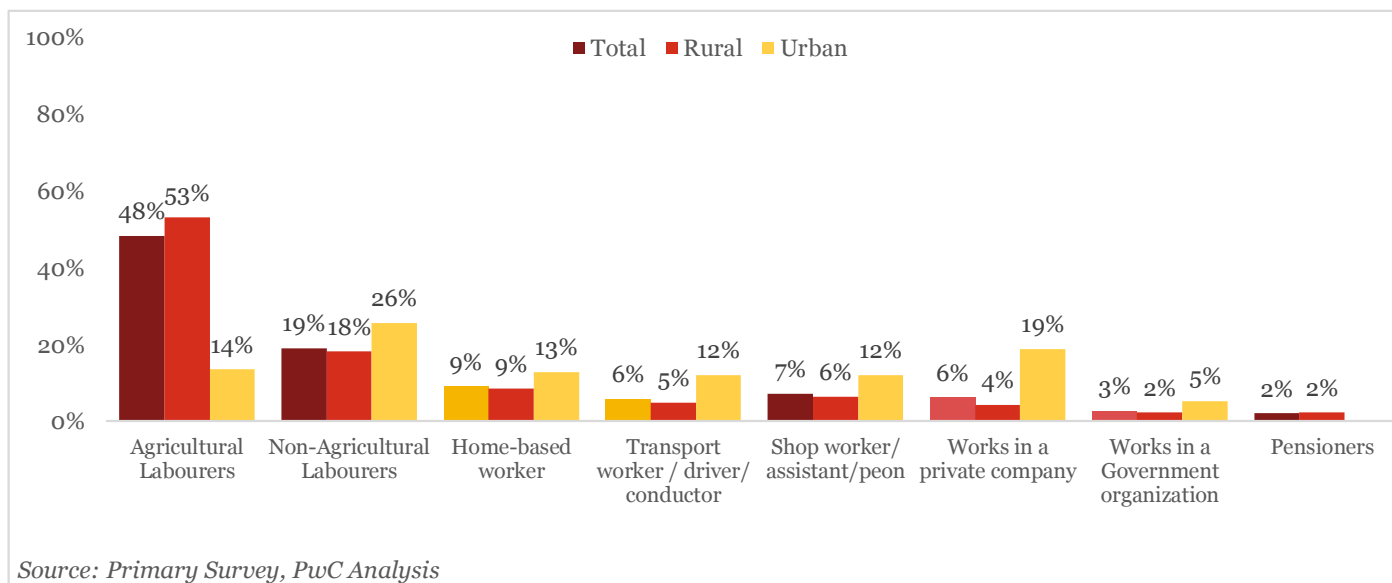
### *Occupation and income of clients interviewed*

In general people who avail banking services through BC model of financial inclusion are poor in nature and are mainly labourers/daily wage earners. To have a better understanding of the profile of clients availing banking services under BC model of financial inclusion, the present study enquired about their current occupation and average monthly income from all clients who were earning.

Analysis of data shows that a little more than two third (67%) of all clients interviewed were involved in any income generating activity, and rest 33% were not working to generate income. Proportion of respondents who

were not working was around 60% in case of females, whereas 23% of males were idle (Figure 12). Around 40% of such respondents who were not working were below 20 years or more than 50 years of age. Near about 85% of these clients were in rural locations. It was observed during field observations that the younger cohort of such respondents not working were going to school and the older ones have now left working.

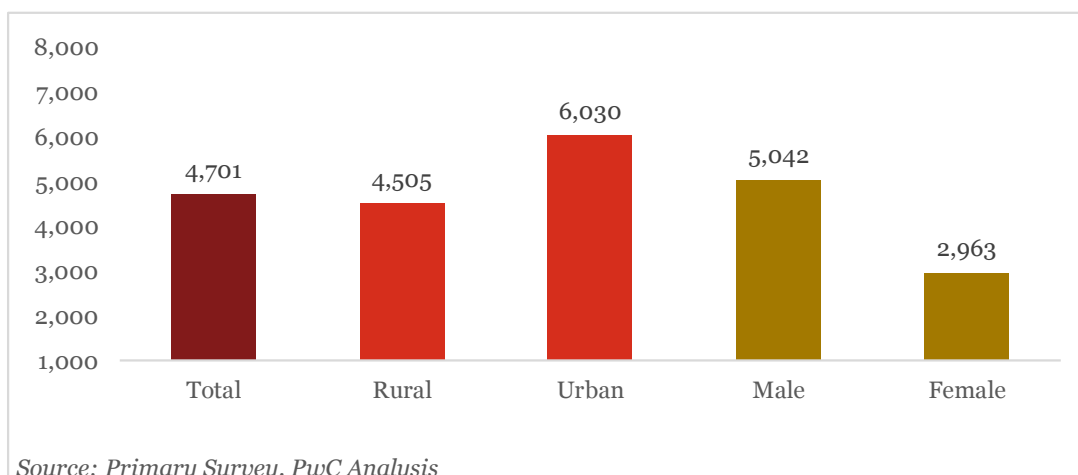
**Figure 29: Occupations of respondents currently working for money**



All respondents who were reported to be currently involved in income generating activity were further probed for their occupations. Close to 48% of respondents were agricultural labourers and another 19% were non-agricultural labourers. Close to nine percent of them were home based workers and another around two percent were pensioners, but were involved in agriculture as well. Analysis of data by location suggested that while more than half (53%) of respondents in rural locations were involved in agriculture, it was around 14% in urban areas. Apart from working as agricultural and non-agricultural labourers, clients in urban locations were also doing private jobs (19%).

The average monthly income of all respondents who were currently working was Rs 4,701. Those who were in urban locations earned Rs 6,030, while respondents in rural areas made an average monthly income of Rs 4,505 (Figure 32). Analysis by gender suggested that on an average males earned more (Rs 5,042) than females (Rs 2,963). According to a report by Planning Commission<sup>35</sup>, the poverty line (Rs per capita, per month) in Madhya Pradesh for rural areas was Rs 772.29 and that for urban locations was Rs 1153.59. In the present study, on an average, there were five members in a family in rural areas and six in urban locations. The per capita per month income in the present study was calculated at Rs 901 for rural areas and Rs 1,005 for urban locations.

<sup>35</sup> Report of the expert group to review the methodology for measurement of poverty, Government of India, Planning Commission, June 2014

**Figure 30: Average monthly income (in Rs) of clients interviewed**

## ***Association of clients with financial inclusion***

### ***Reason to open bank account with PMJDY***

PMJDY has been successful in widening the net of financial inclusion and coverage is no more a challenge. To have an account under the scheme was an option provided to those who were living away from a brick and mortar branch to avail banking services within their reach. To have a better understanding of association of clients with PMJDY, the present study asked for reasons for which they opened an account under PMJDY.

Close to 80% of respondents mentioned that they opened an account to start savings (Table 16). More men (80%) than women (75%) were keen on doing savings. Another 21% of respondents mentioned that brick and mortar bank branch was too far and was not possible for them to visit it often, and that's why they chose to have an account under PMJDY, which was closer to where they currently reside. Near about 20% respondents also mentioned that they liked the facility of transacting small amounts under the scheme, which led them to get associated. Another around 18% mentioned that the prime reason for them to have a PMJDY account was to receive their payments from social security schemes like NREGA, pensions, gas subsidy, etc. (Table 16).

No significant differential was observed in responses when data was analysed by location and gender of clients interviewed. All respondents in Mandsaur and more than 90% in Rajgarh and Ujjain mentioned that the prime reason for which they opened an account under PMJDY was to do savings.

**Table 16: Reasons cited by clients interviewed for opening an account under PMJDY**

Districts	Total	Rural	Urban	Male	Female
To do savings	79.6%	78.9%	84.1%	80.4%	77.5%
It is unsafe to keep money at home	7.2%	7.9%	2.9%	7.0%	7.7%
Bank was too far	20.6%	22.7%	7.2%	20.3%	21.5%
Sarpanch/business correspondent asked	4.4%	4.4%	4.3%	4.7%	3.6%
BC is trustworthy	7.7%	8.2%	4.8%	6.8%	10.3%
Facility to transact small amounts	21.1%	20.0%	28.0%	22.9%	16.0%
To receive payments from social security schemes	17.8%	17.7%	18.4%	16.5%	21.3%

*Multiple Choice, percentages will not add to 100%*

It could be inferred from data and interactions with clients that most of them in both urban and rural locations knew the importance of savings. They knew it is unsafe to keep the money in their house, but because the brick and mortar branch was far from their native place, they could not transact their money through the banking channel. Provision of banking services through BC model of financial inclusion helped them to start savings and avail banking services.

### *Receipt of RuPay Card and pin number*

Every account under PMJDY is a Basic Savings Bank Deposit Account (BSBDA) as defined by RBI vide its circular dated 10.08.2012. This allows the account holder to have a zero balance account and also entitles her/him to avail the facility of ATM card or ATM-cum-Debit card. All account holders under PMJDY are provided with an ATM-cum-Debit card, called “RuPay Card”. It is an indigenous domestic debit card introduced by National Payment Corporation of India (NPCI). This card is accepted at all ATMs (for cash withdrawal) and at most of the PoS machines (for making cashless payment for purchases) in the country.

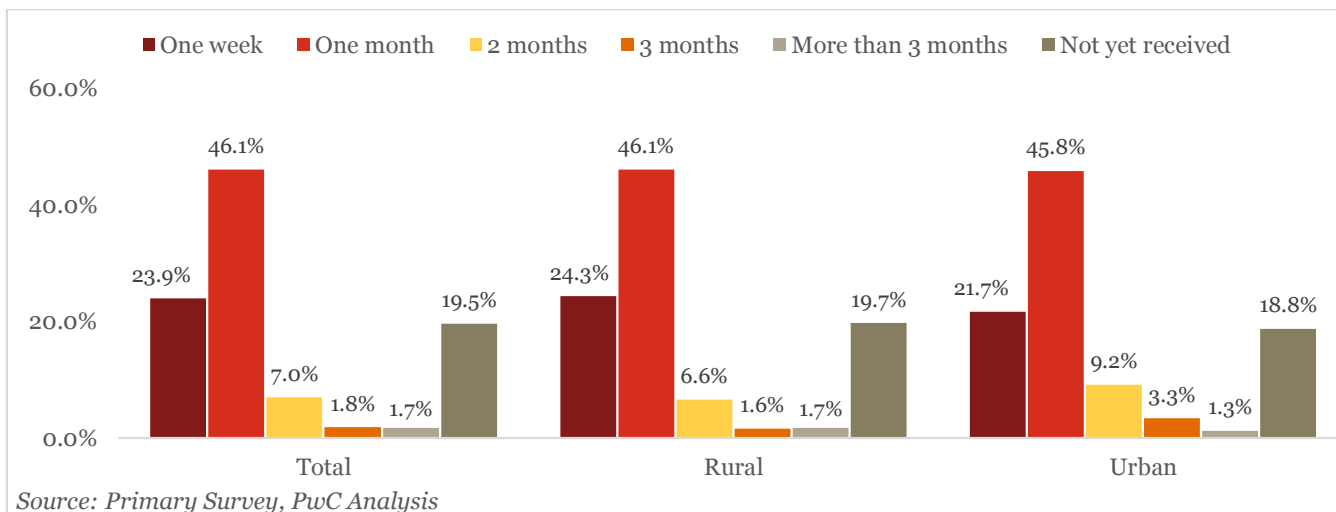
All account holders under PMJDY are entitled for an accidental insurance cover up to Rs.1.00 lac without any additional charges. But, to get benefit of the insurance, RuPay Card must be used at least once in 45 days. Usage of the card is linked to receipt of pin number which the account holder needs to collect from the link bank branch. The present study asked from all respondents whether they received their RuPay card and pin number and associated delay.

**RuPay Card:** Close to 20% of all clients interviewed did not receive their RuPay card as on date of interaction. It must be noted that on an average clients had an account for six or more months. There was marginal difference among clients in rural (20%) and urban (19%) locations who did not receive their cards (Figure 33). It is to be noted that RuPay card is delivered by post to the account holder and the issue is equally pertinent in both rural and urban locations. Analysis of data at district level suggested that all clients in Jhabua received their cards and was near close to 100% in the districts of Bhopal (94%), Vidisha (97%), Panna (98%) and Balaghat (97%).



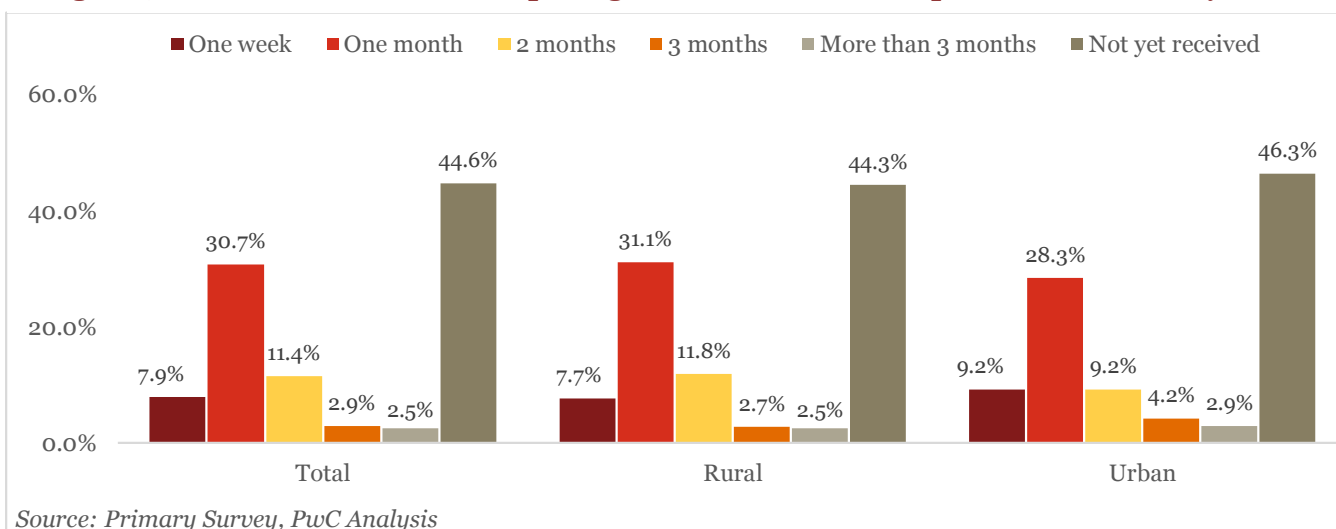
Districts where more than 50% of respondents did not receive their card included Datia (62%), Sheopur (51%), Shahdol (60%) and Jabalpur (56%). Close to 24% of all clients interviewed received their card within a week and another 46% received within a month (Figure 33). It took around 3 months for around ten percent of respondents to receive their RuPay card.

**Figure 31: Duration after account opening when clients interviewed received their RuPay Cards**



**Pin Number:** All clients interviewed in the present study were also asked if they received pin number of RuPay cards. To get the pin number is crucial so as to operate the RuPay card to avail the facility of accidental insurance. Around 45% of respondents did not receive their pin numbers, with around 44% in rural and 46% in urban locations (Figure 34). Of all these respondents who did not receive their pin numbers had an account under PMJDY for an average of 4.8 months, with respondents in urban locations having a slightly longer association of around 5 months than those in rural areas (4.8 months). It was also observed that close to 39% of respondents received their pin numbers within a month, with no major differential across locations (39% in rural areas and 38% in urban locations). It took two months or more for around 17% of respondents to receive their pin numbers.

**Figure 32: Duration after account opening when clients received pin number of RuPay Cards**



It could be inferred from data that most clients interviewed in the present study were not eligible to avail accidental insurance cover of 1 lac, not because they did not use the card in 45 days, but because they did not receive either the RuPay card or pin number.

### *Awareness of facilities for account holders among clients interviewed*

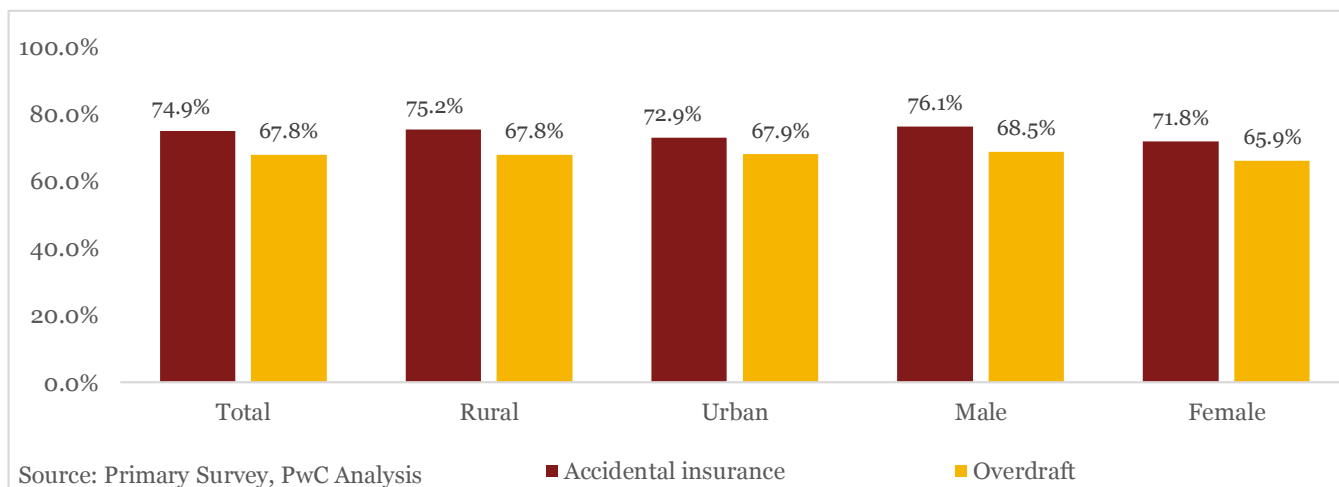
The prime objective of PMJDY is to ensure access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections i.e. weaker sections & low income groups. To this end, it aims that with a bank account, every household will have access to banking and credit facilities. Apart from providing basic no frills savings bank account for transactions, PMJDY provides additional cover for social security and financial protection, so as to encourage transactions. All account holders are eligible to the following three facilities/benefits.

- ***Accidental Insurance Cover of Rs 1 Lac***
- ***Overdraft facility up to Rs.5,000/- to one account holder per household***

The present study asked about the awareness levels of each facility from all clients interviewed.

- **Accidental Insurance Cover:** Close to 75% of respondents were aware of the facility of accidental insurance cover under PMJDY. They mentioned that it was told to them by the business correspondent when they opened their account. Awareness among clients in rural areas (75%) was slightly higher than those in urban locations (73%) (Figure 35). Male clients were seen to be more aware (76%) than females (72%) about the accidental insurance cover. It was also observed that all respondents in the districts of Mandsaur, Jhabua and Ujjain were aware of the facility, while awareness was low in Datia (seven percent) and Sheopur (18%).
- **Overdraft facility:** Around 68% of respondents were aware that they can avail an overdraft facility of up to Rs 5,000 after six months of account opening if they did regular transactions. There was no differential in awareness by location, but analysis by gender showed that more males (69%) than females (66%) were aware of overdraft facility. In most cases, awareness was provided by business correspondents when they first came to their village/ward and they also got to know about this from camps organised by banks. At district level, awareness was highest in Mandsaur, Jhabua and Ujjain, where almost all respondents were aware, whereas it was lowest in Datia (four percent) and Sheopur (21%).

**Figure 33: Proportion of respondents aware of accidental insurance and overdraft facility under PMJDY**



### *Satisfaction level of clients interviewed with BC model of financial inclusion*

The success of financial inclusion is not only based on streamlining processes at operational level and focusing on the delivery side. It is also dependant on the overall satisfaction of the client/beneficiary with the various processes involved in delivering services. The success of BC model of financial inclusion is dependent on trust and faith developed with a client and providing services resembling a brick and mortar bank branch. Service delivery at a kiosk/by a business correspondent should be such that replicates an actual bank branch to provide a sense of security and trust among clients.

The present study asked a series of statements to all respondents to get a glimpse of their understanding about the overall process of BC model of financial inclusion. The statements asked to the respondents were related to trust in the overall process, usefulness and relevance of BC model of financial inclusion, operational issues with BC model, create an environment for savings and financial security. The statements were asked on a five point Likert scale (completely agree, agree, can't say, disagree and completely disagree). An analysis of key statements (*top 2 boxes: agree and completely agree*) by location and gender is provided in Table 17.

**Table 17: Top 2 box (agree and completely agree) percentages for statements to assess client satisfaction**

Statements	Total	Location		Gender	
		Rural	Urban	Male	Female
<i>The money deposited with the BC agent is safe</i>	97.2%	97.7%	94.2%	97.7%	95.8%
<i>There is no hassle in opening an account with a BCA</i>	95.0%	95.2%	93.8%	94.7%	95.8%
<i>The BCA is a trustworthy person</i>	95.5%	95.6%	95.0%	95.5%	95.8%
<i>My BNC agent is very helpful and supportive</i>	94.9%	94.8%	95.5%	94.5%	95.8%
<i>My BC agent has adequate knowledge of PMJDY</i>	81.3%	81.2%	82.2%	81.8%	80.0%
<i>My BC agent promotes a culture of savings in me and other people also</i>	94.1%	94.4%	92.1%	93.7%	94.9%
<i>My BC agent motivate rural people to open their accounts under PMJDY</i>	91.9%	92.1%	90.5%	92.1%	91.4%
<i>I like that my subsidy and NREGA payments now come in my bank account</i>	79.9%	81.0%	73.1%	81.6%	75.2%
<i>It is very easy to operate a PMJDY account, like to deposit and withdraw money</i>	93.1%	93.6%	90.5%	94.3%	90.1%
<i>Earlier I wasted a lot of money, but this PMJDY account helps me save now</i>	90.9%	90.8%	91.3%	91.9%	88.2%
<i>I feel financially safe and secure with a PMJDY account</i>	92.1%	91.8%	94.2%	93.2%	89.3%
<i>I would prefer a local lender over a PMJDY account</i>	1.3%	1.1%	2.1%	1.1%	1.7%

**\*Top 2 box scores (agree and completely agree)**

Analysis of data shows a positive consent of respondents towards most of the statements, except for when they were asked if they would *prefer a local lender over a PMJDY account*, wherein only a little more than one percent of respondents agreed. This further strengthens the fact that respondents have developed a faith with PMJDY in a much shorter duration than moneylenders, who have been there for long.

This is further strengthened by the fact that around 95% of respondents agreed that *their money deposited with the BC agent is safe and business correspondent is a trustworthy person*. A little over 80% of respondents also agreed that *their BC has adequate knowledge of PMJDY* and around 95% mentioned that *BCs are supportive in nature*. Analysis of data also showed that close to 90% of all respondents mentioned that once they got associated with PMJDY, they have started saving money as well. This not only will help them to be financially secure, but will also protect them from getting trapped into the vicious circle of debt with local moneylenders, who charge heavy interest. This is supported by the fact that more than 90% of respondents agreed that they *feel financially safe and secure with a PMJDY account*.

It could be inferred from data that people who opened an account under BC model of financial inclusion had a felt need for the same. They are happy with the offerings under PMJDY and believe that BC model of financial inclusion is a safe and secure mode of availing banking services. They see this as an opportunity to be associated with the mainstream banking and financial services and get rid of local moneylenders. It has also promoted a culture of savings among the masses in general and clients feel more financially secure after getting associated with BC model of financial inclusion.

## 8. Cost and Revenue Analysis and Sustainability

There have been continuous policy developments in order to expand and streamline the scope of financial inclusion through business correspondent model. After the roll out of PMJDY on a mission mode, considerable improvement has been noted in the reach of financial services to the unbanked population and coverage is no more an issue. However, the major challenge is, whether the model of financial inclusion through business correspondents is viable and sustainable in the long run and whether this can be promulgated as an entrepreneurial option, especially for the educated rural youth.

Sustainability of the business correspondent model is critical to keep the stakeholders, especially the business correspondents on ground motivated and contain their attrition. The present study made an attempt to understand the operational costs and revenue of a business correspondent to see if it is a sustainable option for them. The scope of the present study was to collect information to assess the financial viability of business correspondents only and not Corporate BCs, as we assume that the model could not be financially viable if there is no business case for field agents.

### *Assessment of financial viability and sustainability of a Business Correspondent*

#### *Costs incurred by Business Correspondents*

To start operations as a business correspondent, initial investment is required from business correspondents. The level of initial investment varies on an individual basis dependent on association with which Corporate BC and bank, location and mode of operations as stationary kiosk-based or mobile POS based. Overall, the initial investment made by a business correspondent fall in any of the three categories as mentioned below:

- a. Refundable costs on security deposits:** BCs need to deposit security money with their corporate partners in order to get access to operate as an agent for them. This security deposit is basically to ensure that the BC should have continued association and is refundable in nature. The amount of security deposit varies with every corporate BC, and ranges from Rs 10,000 to Rs 20,000, based on the devices and software been provided. On an average, it was observed that BCs are required to deposit Rs 15,000 as refundable security with their corporate BCs.
- b. Investment for setting up infrastructure:** It was observed during the field visits that most of the BCs now work on a kiosk model. Even the corporate BCs are now focusing on that as it helps build more trust among customers rather than a mobile BC. The cost in this category include investments made by

a BC in setting up a kiosk. These investments are normally on computer, printer, battery, furniture, biometric machine, etc.

- c. **Operational costs:** Operational cost is the regular spend to carry out daily operations at the kiosk. This includes but is not limited to incurring cost on electricity, internet, rent for kiosk, maintenance charges, etc. It was observed during field observations that a BC incurs around Rs 6,500 as operational cost on a monthly basis which was higher in the urban areas (Rs 8,500) than in rural areas (Rs 6,000).

## *Revenue*

The income of Business Correspondents is heterogeneous in nature and depends on timing of the year (particularly related to disbursement of social security and pension payments). The main source of revenues for BCs in financial inclusion is the commission received on account openings and transactions. Apart from their regular commission from the transaction, in a few cases, BCs get fixed salaries, but this depends on the bank with which the BC is associated.

During field visits, it was observed that income of BCs was higher during the initial phases of PMJDY, because it was primarily focused on coverage and opening of new accounts. As number of accounts has saturated over time, income of BCs has shown a declining trend, as the commission on transactions is much less than on opening a new account. The average monthly income (including fixed component and commissions) of a BC interviewed in the present study was Rs 4,008. BCs in rural areas earned Rs 3,745 and those in urban locations made an income of Rs 5,393 on a monthly basis<sup>36</sup>.

## *Cost-Revenue Analysis*

To have a better understanding of better understanding of the viability and sustainability of the BC model, we conducted a cost and revenue analysis. Data on costs incurred and revenue generated (from BC operations) was collected from BCs interviewed for case studies, which is used for the analysis. We also collected information on the monthly expenditure of the household, to progress our understanding of how much disposable income a BC is left with at the end of the month if he only manages from BC operations. Table 10 below provides details of investments made and income generated from BC operations on a monthly basis segregated by rural and urban locations.

<sup>36</sup> This includes income from operating as a BC only, and not income generated from any other ancillary activities.

**Table 18: Cost revenue analysis of Business Correspondents (all figures in INR)**

	Rural	Urban
<b>A. Capital Investment</b>		
<b>1. Refundable investment</b>	15,000	15,000
<b>2. Investment for setting up infrastructure</b>		
<i>Computer</i>	25,000	25,000
<i>Printer and scanner</i>	8,000	8,000
<i>Lamination machine</i>	4,000	4,000
<i>Battery</i>	15,000	15,000
<i>Furniture</i>	3,000	3,000
<i>Bio-metric machine</i>	5,000	5,000
<b>Sub-total (capital investment)</b>	<b>75,000</b>	<b>75,000</b>
<b>B. Operational Cost (monthly)</b>		
<i>Electricity</i>	500	800
<i>Internet</i>	1,000	1,000
<i>Rent</i>	1,000	2,500
<i>Travel</i>	800	1,000
<i>Maintenance (cartridges, stationary, etc.)</i>	1,000	1,200
<b>Sub-total (operational cost)</b>	<b>4,300</b>	<b>6,500</b>
<b>Average monthly household expenditure</b>	<b>6,247</b>	<b>6,446</b>
<b>Average monthly income of BCs</b>	<b>4,000</b>	<b>5,400</b>

Looking at the investments made and revenue generated from BC operations in rural and urban locations, it could be inferred that it is not a financially viable option. The average monthly operational cost for a BC in rural area is Rs 4,300 while their income is around Rs 4,000. When compared with BCs in the urban locations, they incurred around Rs 6,500 as operational expenses and made a revenue of around Rs 5,400 on a monthly basis. Based on data, it could be inferred that operating as a BCs in both rural and urban locations was not financially viable, as they were hardly able to meet their operational expenses with the revenue generated. When enquired about the household expenditures of BCs, it was observed that revenue generated from BC operations was not enough to meet their day to day expenses. Because of lesser income in BC operations, they were involved in ancillary activities or focused on agriculture to manage their expenses.

### *Projected income of a Business Correspondent*

It was observed during discussions with BCs that many of them joined financial inclusion as the commission initially on opening of accounts was good and they visualized a potential market. But, as the number of accounts saturated over time, their earnings from BC operations also took a dip. To have sustainability in the BC operations, it is important that regular transactions should happen in the accounts. Presence of high number of



zero balance accounts and lack of savings with rural poor leads to lesser transactions which ultimately reduces the overall revenue of BCs.

The current commission structure for business correspondents varies from one bank to another. A snapshot of the commission structure of major banks in Madhya Pradesh is presented in Appendix 1 E -. We understand that the current structure of commissions lays more emphasis on account opening than driving the BCs to do more transactions and indulge themselves in selling allied financial products such as recurring deposits, fixed deposits, remittances and focus on loan recovery as well. With an understanding of the potential business opportunity for a BC, we propose the following incentive structure, to keep BCs motivated on other aspects than account opening (Table 19).

**Table 19: Suggested commission structure for BC model of financial inclusion**

Particulars	Targeted Commission	Considerations
Fixed salary/month	Rs 3,500	based on at least 100 transactions by a BC in a month
Account opening-savings account	Rs 25	Rs 30 if the account is opened with a minimum balance of Rs 100
Account opening-recurring deposit (RD)	Rs 25	Rs 30 if the account is opened with a minimum RD of Rs 100
Fixed deposit(FD)/term Deposit	0.50%	of total amount
Cash Deposit	0.75%	of total amount
Cash withdrawal	1.5%	of total amount
Remittances	2.0%	of total amount
IMPS transaction (%)	2.0%	of total amount
Non-zero balance account	Less than 50% = Nil; Between 50% - 74% = Rs.750; 75% and above = Rs.1250	on a monthly basis
e-KYC verification	Rs. 6	per account
Aadhar seeding	Rs. 6	per account
Inputting valid Contact Number	Rs. 6	per account
Weekly average balance maintenance	i) 1% p.a. for avg. balance <=Rs 500 ii) 2% p.a. for avg. balance >=Rs 501 to <=Rs 1,000 iii) 2.5% p.a. for avg. balance >= Rs 1,001 to Rs 3,000 iv) 3% p.a. for avg. balance >Rs 5,000	
Loan recovery	0.60%	of loan amount

The suggested commission structure is specifically for the business correspondents. It is suggested that the Corporate BC should be given 20% of what a BC earns in a month. The suggested commission structure was developed based on data collected by primary survey and interactions with key stakeholders. A detail of the assumptions is presented in the table below (Table 20).

**Table 20: Key assumptions in projecting income for a BC**

<b>Assumptions</b>	<b>Description</b>
Average number of footfall/transactions in a month (around 40 transactions per day and 26 working days in a month)	1,040
	<i>Deposit (~20%)</i> 208
	<i>Withdrawal (~80%)</i> 832
Amount per transaction	
	<i>Deposit</i> Rs 400
	<i>Withdrawal</i> Rs 200
Total amount of transaction	
	<i>Deposit</i> Rs 83,200
	<i>Withdrawal</i> Rs 2,08,000
Average number of new savings accounts in a month (two new accounts per day and 26 working days in a month)	52
	<i>initial balance less than Rs 100</i> 26
	<i>initial balance equal to or more than Rs 100</i> 26
Average number of new RD accounts in a month (one RD account in 3-4 days)	8
	<i>of less than Rs 100</i> 4
	<i>of at least Rs 100</i> 4
Average number of new FD/term deposits accounts in a month	2
Average value of FD	Rs 2,500
Total value of FD	Rs 5,000
Total value of remittances (four remittances of Rs 500 each)	Rs 2,000
IMPS transaction (four remittances of Rs 250 each)	Rs 1,000
Average weekly balance	Rs 2,000
Loan recovered	Rs 5,000

We also assume that for every new account, all KYC requirements are completed along with contact number, and the account is Aadhar seeded as well. Based on the key assumptions as mentioned in the table above, a projected monthly income of a BC was calculated. It should be noted that the income projected here is only from operations as a BC in the current landscape and does not include any income generated from the new schemes launched under PMJDY, namely Pradhan Mantri Suraksha Bima Yojana, Atal Pension Yojana and Pradhan Mantri Jeevan Jyoti Bima Yojana.

An overview of the projected income based on assumptions made above is presented in Table 21.

**Table 21: Average projected monthly salary (in INR) of a BC**

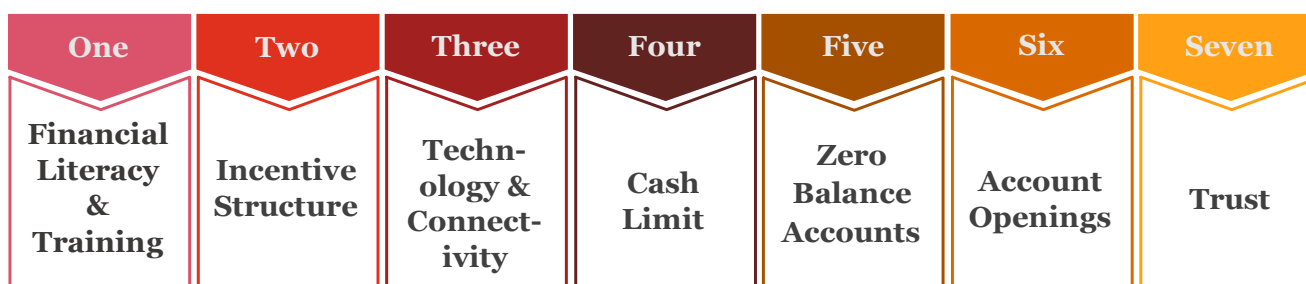
<b>Particulars</b>	<b>Amount (in INR)</b>
Fixed Salary	3,500
Account opening-savings account	1,430
Account opening-RD account	220
FD/term Deposit	25
Cash Deposit	624
Cash withdrwal	2,496
Remittance	40
IMPS transaction	20
Non-zero balance account	750
e-KYC verification	312
Aadhar seeding	312
Inputting valid Contact Number	312
Weekly average balance maintenance	50
Loan recovery	30
<b>Average projected monthly salary</b>	<b>Rs 10,121</b>

Based on the suggestive incentive structure and projections as made above, it is speculated that a BC can earn an average of Rs 10,121 on a monthly basis if the business plan is executed.

## 9. Recommendations for effective implementation of BC model

Throughout this study, various stakeholders were interacted with to receive input and insights on their experiences in providing financial services through the BC model. In order to create an effected BC model to expand outreach of financial services to traditionally excluded populations, several challenges need to be address. The challenges which were highlighted through interactions with stakeholders can be categorised into six key focus areas in order to improve the overall model:

These challenge areas predominantly arise as a result of systemic failures in the overall design and functioning of the model. However, there are strategies which can be adapted at all levels in order to mitigate, or even address, such challenges.



### One: Financial Literacy & Training

Many of the Business Correspondents do not have adequate understanding and are not fully conversant on financial products and services offered through the banking system. As a result of this lack of knowledge, BCs are not able to effectively inform their customers on financial services. This lack of clarity is especially apparent in poorer-rural pockets, where the Poorest State Inclusive Growth (PSIG) Programme is aiming to have the highest level impact. Customers' queries related to eligibility criteria, RuPay Debit cards, insurance coverage, and overdraft facility remain either scarcely responded or un-addressed.

**Recommendations to Individual BCs / CSP:** BCs should ensure that they have attended all training sessions provided by the Bank, Corporate BC as well as attend additional workshops provided by Central Bank of India. In cases where the BC is unable to travel for training because of distance, they should ensure that they are in contact with the District Coordinator (DC) from either the Bank or Corporate BC who should provide the necessary knowledge. The most successful BCs ensured that they were up-to-date on information regarding the PMJDY scheme so that they could transfer their knowledge to their customers. This also enabled the BCs to diversify their service offerings leading to increased commission.

**Recommendations to Corporate BCs:** District Coordinators of Corporate BCs should ensure that the CSPs falling within their region are not only adequately trained, but are also provided with ongoing training. The Corporate BC should provide a checklist to DCs of knowledge areas which the Individual BC should then be tested on. The Individual BC should be provided clarity immediately for any knowledge gaps which are identified. This role should be a requirement of the DCs job and should be included in their job description.

**Recommendations to Banks:** With a view to enhance the capacity of Business Correspondents, a collaborative effort should be taken by Banks along with various governmental agencies to improve financial literacy and ease information asymmetries that exist at all levels. An essential step to this is conducting multiple sessions for Training of Trainers (ToT) to build capacity in the area of financial literacy. This should start at the beginning of Phase II of the PMJDY scheme in multiple batches. It is proposed that similar trainings should be conducted at district levels by these trainers in order to build capacity in the rural areas. BC training can be organised in partnership with Universities and other Academic institutions in order to create a cadre of trained and knowledgeable professionals to serve as Business Correspondents. Financial literacy programmes should continuously be expanded to customers through sensitisation and mass awareness building campaigns using various communication channels (Banks, Business Correspondents, NGOs, MFI, Panchayats, etc.). Furthermore, Banks can also organise awareness camps within districts that their BCs provide services in order to support literacy efforts. Although this is an additional cost to Banks, improved financial literacy can help their business by increasing demand amongst the financially excluded for the products the Banks offer.

## Two: Incentive Structure

Low remuneration, delay in remuneration payment and incentive structure were observed as major concerns by Business Correspondents operating in the state. As conveyed by some BCs, the total remuneration amount that is received per month is not adequate enough to cover their overhead costs which may include: kiosk, printing, electricity, fuel for travelling to and from client and Banks, and technology. Irrespective of this and despite minor variations among Banks, the underlying feature is overall low compensation and this appears to be the most important obstacle in retaining Individual BCs. The challenges resulting from low remuneration are further exasperated by delays in payment. Many Individual BCs claim to receive payments from salary and / or commission irregularly. This uncertainty in payment hinders the Individual BC's ability to depend on their work to bring in a consistent salary. Finally, several BCs that were interviewed were not well-aware of the Corporate BCs incentive structure itself. As a result, many BCs feel discouraged, unmotivated to carry out requirements of the role, and are even on the verge of leaving their role as a BC.

**Recommendations to Individual BC:** BCs should make all attempts at increasing their commission by adapting strategies to increase their customer base, number of transactions, as well as volume of transactions. Diversification of offered services also served as a strategy to ensure high supplementary

salary. In order to ensure this, Individual BCs should setup regular awareness and registration camps for new schemes offered, such as Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Atal Pension Yojana (APY). Awareness and registration camps was determined as a primary method of increasing services to customers. Individual BCs should organise such camps on a frequent basis and make sure that all possible efforts are taken to alert community members of the camp.

**Recommendations to Corporate BCs:** There are multiple strategies which can address challenges related to incentive structures. Firstly, Business Correspondents need to be trained on the various strategies they can be adapted into their daily routines in order to improve performance. This can be a lesson on best practices which should be taught to them during initial training. Secondly, Corporate BCs should focus on the type of candidates which are selected. They should focus on individuals who have good entrepreneurial skills, are extroverts, have a positive image within the community and who are able to carry out services with low overhead costs. Thirdly, Corporate BCs should increase their remuneration payment to the Individual BC which are typically shared in the proportion of 80: 20, with one exception of AISECT which has a proportion of 85: 15. Firstly, Corporate BCs should ensure that all BCs are aware of commission structures and that commission is released to individuals on time; secondly, that the commission is tracked monthly with statements provided to the Individual BC and; thirdly, review performance and provide support and guidance to low performing Business Correspondents.

**Recommendations to Banks:** Many Banks view financial inclusion mandates as a charitable activity rather than as a future business opportunity. As a result of this, remuneration provided to the Corporate BC, which trickles down to the Individual BC, is often very small amounts. Ultimately, the commission which is paid provides incentive and motivation to the Individual BC. The Banks constrain not only their BCs, but also themselves in expanding financial inclusion in remote districts. Banks need to revise their remuneration structure to the BCs in order to provide higher base wage as well as further incentive for carrying out transactions. Furthermore, Banks need allow for transparency in responding to information requests from Corporate BCs and assume a more supportive role by providing assistance to both Corporate and Individual BCs in areas of training and awareness building.

### Three: Technology & Connectivity

For the most part, the devices provided to Business Correspondents was not observed as a major issue. BCs were comfortable in using device functions whether it be handheld POS, PCs or a Corporate BC's own technological platform. The BCs were also content with the level of technical support provided by the Corporate BC in solving issues. However, all devices that Business Correspondents use require electricity and network connectivity in order to process transactions and access customer account details. Network connectivity is primarily accessed through mobile service providers which unfortunately offer very weak network signals in rural and remote locations. Unpredictable electricity and power outages were also a major issue related to poor infrastructure. As

a result of these issues, BCs often succumb to turning away their customers resulting in loss of transactions. Additionally, customers lose confidence by spending time in trying to access financial services and face uncertainty in accessing their accounts when required.

**Recommendations to Individual BCs / CSP:** Individual BCs should be familiar with technical support services provided by the Corporate BC and readily have a list of numbers to be used in case instances arise where they are unable to use their device for transactions.

**Recommendations to Corporate BCs:** Corporate BCs should ensure that the device that the BC is using is compatible for the *region* and the *type* of BC model. In regions with frequent power shortages, there was an observed advantage for BCs using POS devices that run on battery rather than a PC. Those BCs with POS devices would be able to continue to operate however, those relying on electricity for their PCs would need to wait until the power resumed. The technology selected should also be suitable for type of BC model. If the main customer base is scattered in different villages in a rural setting, a POS device is more compatible in order to serve customers in different locations. However, if the main customer base is concentrated within a particular area, then a kiosk model with a PC is more compatible. In order to determine the ideal technology to be used, an initial assessment should be completed by the District Coordinator with inputs provided by the Individual BC. The Corporate BC should adapt a flexible model to tailor their technological platform based on the needs of the region.

**Recommendations to Banks:** There needs to be facilitation of the essential infrastructure and connectivity at the last mile within the state. Banks need to start working with network providers because it is in their own vested interest to improve connectivity in financially excluded, remote areas. Furthermore, constant innovation needs to be incorporated in order to ensure that technology is used to create efficiencies in the BC model. For instance, POS and PC devices can all be provided with a solar battery backup system so that there are no disturbances in services being provided.

#### Four: Cash Limit

The cash limit allocated to the Business Correspondents varies from Bank to Bank and is restricted to the amount in the BCs Overdraft /Settlement Account. At the time of joining, Business Correspondents are required to open an Overdraft / Settlement Account with the Bank and keep it pre-funded. The transaction process which Banks use is based on a “pre-paid” system by debiting instantaneously the equal amount from an intermediate Bank Settlement account, which is funded by the Business Correspondent. Thus, maintaining sufficient pre-funded balance in the Settlement account, and sufficient cash at the outlets and movement of the funds between the outlets and the Settlement Account are required to be taken care of by the Business Correspondent. The cash limit was identified as a major hindrance to the BC’s ability to transact large amount of cash. The following table highlights the overdraft limits per Bank –

**Recommendations to Individual BCs / CSP:** In order to overcome cash limitations, Individual BCs need to incorporate planning into their day-to-day routine. Record-keeping of daily transactions is a simple strategy that Individual BCs carry out which enable them to plan ahead. This planning enables them to determine if it is necessary to make a Bank visits before starting their operations for the day as well as deciding how much cash would be required for the day.

**Recommendations to Corporate BCs:** Cash handling limit given to Business Correspondent should be allocated based on the needs of the BC. The BC should be given an option to request an increased cash limit above and beyond the Bank's assigned limit if they feel that it is insufficient to meet cash handling demands. The Corporate BC can facilitate the requested increased cash limit by verifying the Individual BC's transaction history and determining if they are suitable candidates to handle larger sums of cash.

**Recommendations to Banks:** The increased cash limit ultimately lies in the hands of the Bank. The Bank should authorise the increase based on transaction history information provided by the Corporate BC to ensure that cash limits are not a hindrance to the overall BC model.

### Five: Zero Balance Accounts

The majority of accounts opened by Individual BCs are not operational. Though Madhya Pradesh has achieved 100% financial inclusion, the actual number of accounts in use is extremely low. It was observed that 60% of all accounts were dormant and were of zero balance on an average. A primary reason for this dormancy could be a result of a supply driven approach of account opening drives where Banks initially focused on simply fulfilling their financial inclusion mandates.

**Recommendations to Individual BCs / CSP:** The inactivity of transactions ultimately affect the Individual BCs who are unable to increase their commission from greater customer transactions. Customers need to be financially literate to make apt use of banking services. This literature should be provided by the Individual BC through awareness camps and by asking to receive educational material (such as brochures, flyers, and sign boards) by the Corporate BC and Banks. Individual BCs should focus on creating awareness on new schemes such as, Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Atal Pension Yojana (APY). These schemes were designed to ensure money is routed through customer accounts to enhance account usability.

**Recommendations to Corporate BCs:** Corporate BCs should create processes to facilitate increased Individual BC performance. This can be done by generating basic monthly reports for Individual BCs on their performance which is provided along with their salary slip. The report can include a list of customers who have dormant accounts with targets to increase number of transactions per customer. Target setting is a method to help motivate Individual BCs to achieve defined goals.



**Recommendations to Banks:** The entire BC model becomes unviable for Banks as a result of extremely low transactions and balances in savings accounts. Now that the initial mandate has been met to ensure all households have a Bank account, it is in the Banks best interest to ensure that these accounts are active. Banks need to focus efforts on incentivising customers to use their Bank accounts through credit services such as Personal Loans, Crop Loans, Vehicle Loans, Home Loan, etc. Such schemes also bring in additional income opportunities for Individual BCs. In order to provide seamless services to customers, Banks need to ensure that support is provided at the local branch level to the Individual BCs when required to answer queries.

### Six: Account Openings

There is a significant delay in account openings as well as in the delivery of RuPay cards by the Bank. This delay hampers efforts by BCs to build customer confidence in the channel. As a result, delays in account openings cause inconvenience to the new customers, a loss of trust towards the Individual BC as well as a loss of business. The delay makes it difficult for the BC to recruit further customers since their reputation is built primarily on word-of-mouth and the RuPay card serves as a proof of their authenticity.

**Recommendations to Individual BCs / CSP:** Individual BCs need to ensure that high customer confidence and interest is maintained in their new customers. Individual BCs should maintain a personal relationship with the new customers and ensure that their customers are up-to-date on all account related information through frequent interactions. The Individual BC can also use this opportunity to create awareness within the customer on various services offered through the Bank in order to reassure them on their decision to open their own Bank accounts.

**Recommendations to Corporate BCs:** The Corporate BC should provide support to the Individual BC by keeping track of the new registered customers and their account authorisation through the Bank, issuance of a RuPay card and issuance of the corresponding PIN. This should be provided in the form of a report on a monthly basis along with the Individual BC's salary statement.

**Recommendations to Banks:** Banks need to ensure that their processes are efficient so that there is no delay in opening and authorisation of accounts as well as issuance of RuPay card and corresponding PIN. Such delays lead to low retention of new customers and an eventual collapse of the entire BC model.

### Seven: Trust

Trust was a recurrent issue and was an area of particular difficulty for newly recruited Individual BCs. Individual BCs struggled in creating and maintaining an image of themselves as trustworthy financial service providers in the community. Often, community members were hesitant to provide their personal information to the BC and

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handover large amounts of savings for Bank deposits. This led to limitations to the overall success of the Individual BC.

**Recommendations to Individual BCs / CSP:** Individual BCs need to build trust with members of their community by strategically linking themselves with the Panchayat. Panchayats are central to the communication channel in rural communities and people bestow significant amounts to them. The Individual BC should initiate their services by being introduced by the Panchayat and organise camps in cooperation with the Panchayat. Also central to building trust within the community is having excellent soft skills and understanding on the financial services being offered. In order to receive buy-in from potential customers, the Individual BC needs to sell the services which requires them to prove their knowledge.

**Recommendations to Corporate BCs:** The Corporate BC should recruit Individual BCs on the basis of stringent parameters. The key factors which facilitated trust towards an Individual BC were: good-standing within the community, initial introduction made by the Bank and village Panchayat, close connections to the Panchayat, preexisting customer base with good cash flow and women footfalls, reliable technology, branding and positioning of services as an extension of the Bank's, financial literacy camps for awareness building, as well as communication and people-skills. Once selected, the Corporate BCs should liaise between the Bank and Panchayat and organise an initial awareness camp to give visibility to the Individual BC.

**Recommendations to Banks:** A reoccurring observation through which Individual BCs were able to gain trust by the community was through Bank presence and support during the launch of the Individual BC's services. An initial introduction by the Bank to community members is essential for the success of the Individual BC. Banks should take the initial steps in announcing the Individual BC during awareness-building camps, with appropriate branding materials, such as posters and brochures. This initial support by the Bank is crucial in order for members of the community to associate the Individual BC to a legitimate organisation and encourage them to approach the Individual BC for financial services. Furthermore, once the customer is enrolled with an account, Banks need to ensure that their processes enable a relationship of trust between the Individual BC and the customer. This trust is retained through: prompt account openings, prompt issuance of the RuPay card and corresponding PIN, passbook copies provided to each customer, and through accurate responses to customer queries.

## 10. Case studies of effective BCs

### Case Study #1 -

<b>Name of the CSP</b>	<b>: Hemant Motwani</b>
<b>District</b>	<b>: Bhopal</b>
<b>Name of Corporate BC</b>	<b>: AISECT</b>
<b>Associated Bank</b>	<b>: State Bank of India</b>

*Hemant is a resident of Bairagarh in Bhopal, Madhya Pradesh. He has been appointed as a Business Correspondent by AISECT, and provides financial services on behalf of State Bank of India. Hemant began working with AISECT in July 2013, and was already well-established when the PMJDY scheme was announced. He is well-educated, having completed not only his Bachelors, but also his MBA. He works out of a kiosk that is located centrally in a busy area of Bhopal, directly in front of an SBI Bank. Hemant is humble, hard-working, and has built up a strong reputation over the years because of his sharp business acumen. He lives with his parents, his wife, and their son.*

### The growth trajectory – shifting to sustainability

Hemant began to work for AISECT soon after completing his MBA. A friend of his had been employed as a Business Correspondent by AISECT and informed him about the opportunities available. Hemant applied for the job as a BC and was successfully recruited. His friend, who already had an established kiosk, helped Hemant set up his own kiosk in a central location in Bairagarh, Bhopal. The total initial investment that Hemant made for his kiosk, and all the other necessary items, was approximately Rs 8,00,000. This includes the cost of his laptop, the biometric device, and the deposit that he had to pay to AISECT. After establishing his own kiosk in August 2013, Hemant recruited five staff members to increase his customer base through door-to-door awareness campaigns and by setting up financial inclusion training camps. With the announcement of PMJDY in August 2014, the opportunities for Hemant as a Business Correspondent increased even further. He was asked by State Bank of India to undertake a survey specifically for PMJDY, which required his team to cover all households in his SSA. The surveying began in October 2014 and took place over a two month period covering 11,000 households. Hemant and his staff collected the survey information which helped them to identify customers that had already opened Bank accounts, and those that they could reach out to. Hemant had already developed a strong customer base before PMJDY and was able to utilise this network to give himself an edge. Apart from working in his kiosk, Hemant also works part-time in a pharmacy. This serves as a secondary source of income for him.

## Business Economics & Viability

Hemant caters to his large customer-base from his kiosk itself. He had begun by going from one house to another, but then stopped as he did not like the idea of using a mobile model. He preferred to sit in a fixed location, with the only exception being in the case of customers with medical conditions or those with genuine reasons for not being able to travel to the kiosk. Out of about 70-80 customers that come to his kiosk every day, approximately 40-50 transactions are related to deposits and withdrawals. A large number of customers come to Hemant for subsidy claims and to avail of other benefits, such as Education and Vehicle Loans, and the Janani Suraksha Yojana (JSY) scheme for promoting institutional delivery among poor pregnant women under the National Rural Health Mission. The amount that is given under the JSY scheme is Rs 1,400 in urban areas and Rs 2,000 in rural areas. Furthermore, Hemant has started offering his existing customers new life insurance schemes as of May 2015 for which he has employed an additional resource. A number of customers still come in order to open accounts, and remittance is also popular with people from the city sending money to their families in the villages.

Hemant begins his day at 7am and continues to work up until 7:30 in the evening. Although people come to him throughout the day, the biggest crowd comes in the afternoon. The State Bank of India branch is located directly in front of his kiosk, which significantly increases his customer base. In fact, the Bank encourages a large number of customers to transact at his kiosk itself. Considering his large customer base, Hemant deals with large volumes of money every day. The average volume of

- 10,000-11,000 accounts opened after PMJDY
- Clientele composition is 65 % male and 35% female
- Approximately 70-80 customers per day
- 40-50 transactions carried are related to withdrawal and deposits
- Average amount transacted per day is between Rs 1, 00,000 and Rs 1, 20,000.
- Deposit to withdrawal ratio is roughly the same
- Average earning between Rs 70,000-Rs80,000

transactions are between Rs 1,00,000 – Rs 1,20,000 a day. However, transaction volumes vary depending upon the season, as people's requirements change. Transactions have historically been high around the start of the school year in August – September, increasing further during festival and wedding season from October to February and dropping to the lowest number of transactions in the months of April, May and June.

Hemant's monthly expenses to retain his staff, kiosk, internet, electricity, refreshments, etc. total between Rs 25,000 – Rs 30,000. In the initial stages of PMJDY, his expenses increased even further because of a surge in account openings, causing him to spend as much as Rs 60,000 a month. His highest profit recorded was Rs 45,000. His average earning is between Rs 70,000-80,000 in a month.

## Challenges faced and mitigation strategies

### Challenge I. Delays in customer account authorisations from Bank

One of the biggest problems is the amount of time taken by the Bank to authorise accounts after they have been opened, and to generate an account number. This authorisation from the Bank is a crucial step before which the

customer cannot conduct any transactions. The delay between the opening of accounts and the ability to use the accounts often results in Hemant losing potential transactions.

*Mitigation Strategy:* Hemant has been unable to adopt a mitigation strategy to solve this problem so far however, has reported his concern to the Bank numerous times. Officials and representatives at the Bank are unable to take action because of a backlog in authorisation of accounts. Hemant is hopeful that something will be done to speed up this process in the future.

## **Challenge II. Technology and connectivity**

Hemant often faces problems with technology, especially related to Bank server connection errors and biometric device. Problems in the Bank server causes failures during transactions, which then brings in the issue of adjusting the amount in cases where there is a discrepancy. There have also been numerous cases where the SBI server has failed to initiate. He sometimes faces problems in opening reports, and also in logging in/logging out. This affects the number of transactions that Hemant can conduct in a day. Problems with the biometric device also prevent the possibility of any transaction taking place as that is one of the main steps for authentication required in order to proceed.

*Mitigation Strategy:* Hemant has not been able to do much to solve the problem of the biometric device. In order to avoid loss in transactions due to the Bank's server, he ensures that he continues customer requirements offline which gets uploaded and updated to the Bank's server as soon as the connectivity is restored. This eliminates issues related to Bank server connection errors from further slowing his day-to-day activities.

## **Driving factors for success**

### **Success Factor I. People-skills and focus on trust-building**

Hemant believes that the key to success is not only to work hard, but also to develop good communication and people-skills. Since his work involves a great deal of interaction with people (especially poor people), basic communication and the manner in which the interaction is carried out is key. Hemant feels that strategy and planning can only help to an extent. Though his MBA course has played a big role in preparing him with these skills, he thinks the key to create impact on an individual depends more on the ability to reach out and connect with them. He has developed and strengthened his inter-personal skills over the past two years, and this has undoubtedly allowed for a more trusting relationship to build between him and his customers.

### **Success Factor II. Ensuring provision of high quality services**

Hemant has built up a well reputed practice for himself over the past two years. He has tried to focus on the quality of services that he offers, as he believes that this is what will set him apart from other Business Correspondents. For instance, he ensures that no customer leaves his kiosk without receiving a proper receipt for the transaction that took place. In order to provide high quality services, Hemant employs additional resources during busy periods. Recently, he employed a dedicated resource in order to reach out to his existing

and eligible customers for new insurance schemes, such as Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). Within a short period of one month, he was able to provide PMJJBY life insurance to 400 of his customers.

### **Success Factor III. Strong computer skills**

Hemant has good computer proficiency which has prepared him to use technology to be efficient in his work. This is apparent in the database which he has meticulously created with records relating to contact information about his customers and historical information on transactions. This database helps him identify and contact customers to encourage them to transact more and to inform them about any new schemes, as well as updates in existing schemes.

### **Success Factor IV. Efforts to increase financial literacy**

Apart from people skills and ensuring high quality services, Hemant has also made an effort to increase awareness and financial literacy in the area where he operates. He began by spreading awareness door-to-door, as he felt that this was a crucial step to initiate the process. He then moved to having his employees make phone calls to reach out to both new customers and existing customers in order to inform them about new schemes and changes in existing schemes. Hemant ensures this is done every time he thinks an update needs to be communicated. Camps are also held on the road outside Hemant's kiosk and news of these camps spread through word-of-mouth. Hemant uses SMS, TV screens with awareness videos, and has also put up numerous signs outside his kiosk to ensure that everyone in the community is aware of his services. Financial literacy and reaching out to customers is one of Hemant's main priorities, and this is evident in the techniques that he has adopted to reach out to people.

## Case Study #2 -

<b>Name of the CSP</b>	<b>: Shehzad Khan</b>
<b>District</b>	<b>: Ujjain</b>
<b>Name of Corporate BC</b>	<b>: NICT</b>
<b>Associated Bank</b>	<b>: State Bank of India</b>

*Shehzad is a resident of Jharda village in the Mahidpur tehsil of Ujjain district in Madhya Pradesh. He is 40 years old and lives in a joint family with his father and brother. He has a family of six who are dependent on his income, including his wife, three sons and a daughter. Shehzad is a graduate, who also has done an entry level course in computer. He started operations as a Business Correspondent in the year 2010, prior to which he was involved in agriculture. He made the initial investment to set up the kiosk all by himself and now makes a streamlined income from it.*

### **The growth trajectory – shifting to sustainability**

After completing his education, Shehzad got involved in agriculture with his father and brother. There was an awareness campaign done by NICT in his village, when he first came to know about the opportunity to open a kiosk under the “Common Service Centre” (CSC) scheme of Government of Madhya Pradesh. It was an initiative started by the state government under the national e-Governance plan for enabling electronic delivery of information, knowledge and skills to the poor. He got interested in the opportunity and decided to open a kiosk of his own. He started his own kiosk under the CSC initiative in the year 2010 and started providing digital services for government schemes. The kiosk gave him recognition within his village and across other villages as well, as his was the only kiosk in a radius of 10 kms. At that time, he was also involved in agriculture, as the income from the CSC kiosk was not much. As he was looking for other opportunities, he came to know of the financial inclusion programme of State Bank of India, and soon got involved in the same. Currently, he is not involved in any other occupation that being a Business Correspondent. Shehzad, over the years, has grown in confidence and build his credibility among his customers, which has led him to establish the kiosk as a sustainable income source.

## Business Economics & Viability

At present, Shehzad has a total of 8,500 zero balance no frills accounts with him. Around 70% of these are active accounts, which have a minimum balance of Rs 100 in each of them. His clientele has a demographic constitution of 55% males and 45% females. Shehzad operates from the Panchayat Bhavan, where he has got a place free of cost, and sits for around 10 hours on a daily basis. On an average, he does 35-40 transactions in a day, most

- A total of 89,000 accounts, including 1,000 recurring deposit accounts
- Clients include 55% males and 45% females
- 35-40 daily transactions on an average
- 85% of the transactions are withdrawals
- Average withdrawal per transaction is Rs 300 and average deposit is Rs 400
- Initial investment of around Rs 1.5 Lakhs
- Average monthly income of Rs 13,000.

of which are withdrawals. During peak season, when scholarships of students, payment of NREGA and pensions of widow/senior citizens is debited in the accounts, then the number of transactions rise to as high as 150-160 in a day.

Shehzad made an initial investment of around Rs 1.5 Lakhs to set up the kiosk. He made the entire investment on his own and did not take any loan. After initial hiccups, he built trust among the villagers through his persistent efforts to educate them on the benefits of having a Bank account. At present, most of the customers of Shehzad transact regularly, which helps him make an average monthly income of Rs 13,000.

Shehzad incurs a recurring cost of around Rs 4,500 per month on electricity, broadband and other maintenance charges. Considering his monthly revenue from the kiosk and recurring expenditure, Shehzad makes an average net income of Rs 8,500 per month. When this is compared with his initial investment, a break-even was reached in around 18 months.

## Challenges faced and mitigation strategies

### Challenge I. Low level of trust by customers during initial stages

During the initial stages when Shehzad started his kiosk, there was a lack of trust among the customers on the Business Correspondent model of banking services. They did not had the same level of trust with this model of banking as they had with an actual Bank. They believed that their money will not be safe with Shehzad as it will be in a Bank branch. Because of this, the villagers refrained from opening accounts with Shehzad.

*Mitigation Strategy:* Shehzad made continuous visits to the villages allotted to him and informed the villagers of the various benefits that they will receive if they open a Bank account with him. The nearest Bank branch was 12 kms away from the village which was a deterrent for the villagers to avail banking services. Shehzad convinced the villagers that they will not have to travel so much to avail banking services, which he will provide at his kiosk in the village only. He also involved the Sarpanch, school teachers and other opinion leaders in the village to help build his trust. His strategy paid off and in due course of time, not only people from his village, but from other villages also opened accounts with him.



## **Challenge II. Ceiling on per day transaction**

The ceiling on any transaction (deposit/withdrawal) for any account in a day was set at a maximum of Rs 10,000 by State Bank of India. Shehzad mentions that this is a challenge for him, as sometimes a customer has to make multiple trips from as far 10-15 kms, even when they have money in their account. This sometimes leads to loss of trust among the customers and they feel that their money is not safe with the Business Correspondent. Shehzad receives at least 2-3 such cases on a daily basis, where customers come in to deposit/withdraw a sum more than Rs 10,000.

*Mitigation Strategy:* Shehzad has made multiple requests at the link branch to remove this ceiling. But as an internal policy of the Bank, this challenge still remains. To circumvent this, he sometimes provides cash from his own if he feels that the customer is in urgent need.

## **Driving factors for success**

### **Success Factor I. Personal background and soft skills**

Shehzad is a local resident of the village where his kiosk is located. This is his ancestral village and therefore people within the village trust him. Shehzad is well educated and has a very humble and polite approach to his customers. He makes all efforts that no customer goes back dissatisfied from his kiosk. He makes sure that if an elderly or a child comes to his kiosk, they do not wait in line and are given prompt attention. Because of his polite nature, he has customers from villages as distant as 15-20 kms from his kiosk, who have come to him through word of mouth.

### **Success Factor II. Lack of Competition in early phase**

Shehzad opened the kiosk in the year 2010. His was the first kiosk to be opened in the village and in the surrounding areas within a radius of 10-12 kms. For four years, until PMJDY came into existence in 2014, he was involved in the financial inclusion and servicing clients in the area without any competition. He had his customer base well in place when PMJDY was launched. At present, there is a kiosk of another Bank in the same village, but Shehzad feels no competition and is confident of no customer attrition.

### **Success Factor III. Seamless internet connectivity**

One of the critical factor in the success of Shehzad as a Business Correspondent is the seamless connectivity he enjoys because of the presence of BSNL office in the village itself. He has a broadband connection from BSNL, which maintains a steady internet speed for faster transactions. Furthermore, he also has a dongle to mitigate any loss of connectivity if the broadband is not working. In this way, he makes sure that no customer returns back from his kiosk because of lack of internet connectivity, which further strengthens his trust among the customers.

**Success Factor IV. Locational advantage**

The kiosk from where Shehzad operates at present is situated in the gram panchayat building which is in the local marketplace. It gets the benefit of trust because of its location within the premises of panchayat building and it is easy to reach as it is in the marketplace. There is a police station as well in the premises of the panchayat building, which assures security, which is of utmost concern.

### Case Study #3 -

<b>Name of CSP</b>	<b>: Sitaram Kushwaha</b>
<b>District</b>	<b>: Barwani</b>
<b>Name of Corporate BC</b>	<b>: NICT</b>
<b>Associated Bank</b>	<b>: State Bank of India</b>

*Sitaram is a native of Rajpura village in the district of Barwani Madhya Pradesh. He lives with his parents and two children. He offers banking and financial services as a business correspondent on behalf of State Bank of India. Sitaram started working with NICT in 2010 before which he worked in a private firm. He had always been interested in the banking sector and was therefore eager to get involved with financial inclusion. His popularity in his native and adjoining villages because of his association with the chit fund he runs has helped him establish as a business correspondent. He now acts primarily as a BC, and supervises the operations of chit fund in his spare time.*

### The growth trajectory – shifting to sustainability

After completing his education till senior secondary, Sitaram took a job with a small private firm at his native place. He came to know of financial inclusion through a camp in his village, which was organized by NICT. He had a keen interest to join the banking sector and the camp provided him information and the much needed push to join the sector in the form of a business correspondent. He found value in being associated with financial inclusion and contacted NICT for further details. He started working as a business correspondent in 2010 and set up his kiosk in his native village. Initially to set up the kiosk, he invested near about Rs 71,500 (Rs 23,000 for desktop, Rs 13,500 for a printer and scanner, Rs 5,200 for biometric device, Rs 1,800 on UPS, and Rs 28,000 on inverter). As he incurs Rs 3,250 as operational cost on a monthly basis which includes Rs 3,000 as rent for the kiosk, Rs 1,000 as electricity bill, Rs 1,250 as internet charges on broadband and dongle. Sitaram has also hired one person to assist him in day to day operations at his kiosk, and he pays him Rs 4,000 on a monthly basis. Apart from his usual work as a business correspondent, Sitaram also runs a chit fund consisting of eleven members. The chit fund acts like a local moneylender, but at a much lesser interest rate, wherein they help people in depositing money and lend small loans. He has been involved in the chit fund for long and has gained significant popularity in his native and adjoining villages. This also has helped him gain trust and faith of villagers.

### Business Economics & Viability

Sitaram opens his kiosk early at 7:30 in the morning every day and works until late in the evening. His home is not far from the kiosk, and being a native of the same village, he also provides services from his home in extreme situations. At present, he has 14,000 accounts with him, with close to 60% of them belonging to females.

Over the years, Sitaram has diversified his service offerings from basic savings bank account include recurring deposits (RDs) as well. He has opened 550 RD accounts so far. Of all the accounts he has, close to 30% receive payments from social security schemes and around 35% get credited with scholarships. These accounts wherein money from government schemes are credited are generally more active in nature than other accounts, as they receive continual payments.

- *Opened a total of 14,000 accounts since 2010*
- *60% of these accounts are for females and 40% for males*
- *Number of transactions in a day range between 30 and 40.*
- *30-35 of these transactions are withdrawals*
- *Transaction volume ranges between Rs 70,000 and Rs 80,000.*
- *Average earnings is Rs 12,000*
- *Maximum earnings has been Rs 16,000 and minimum Rs 5,000.*

On an average, during regular days, Sitaram handles around 30-40. Majority of these transactions are withdrawals, with transaction value totaling to near about Rs 70,000-Rs 80,000 per day. This requires Sitaram to have enough liquidity on a daily basis so that he can disburse money without sending any customer back. He makes daily visits to the link bank branch to withdraw cash for disbursement, which is in close proximity (~500 meters) from his kiosk. The busiest months for him are between June-December and January-March, when payments from NREGA and other social security schemes come and when admissions in schools start. To handle the rush during these months, he has hired an assistant as well. Close to 40% of accounts with him are zero balance, for which the primary reason he mentions is the low income levels and poverty among these people.

Sitaram makes an average of Rs 12,000 per month operating as a business correspondent. He has earned a maximum of Rs 16,000 when he focused on account opening in the early phases of PMJDY. The lowest income in a month was Rs 5,000 when he had just begun operations as a business correspondent. At this point of time, he did not had many accounts with him and was in the process of making people get associated with financial inclusion.

## Challenges faced and mitigation strategies

### Challenge I: Support from Bank

Sitaram opines that he does not get adequate support from the link bank branch, especially when it comes to uploading documents for new accounts or seeding an existing account with Aadhar. This makes it difficult for him and he needs to travel on a frequent basis to get these documents uploaded, as he get regular enquires from his customers as well.

### Challenge II: Managing additional offerings

He mentions that the new offerings under PMJDY, which includes Atal pension Yoajana and Jeevan Jyoti has put additional pressure on him and he is not able to focus on the regular work as a BC. He has been given targets by the bank to complete enrolments in both these schemes. In his opinion, this needs community mobilization and

should have been launched in a phased manner one scheme at a time. He also mentions that this should have been better incentivised in order to have a driving factor.

## **Driving factors for success**

### **Success Factor I. Planning and Organisation**

In order to deal with the enhanced footfall during the busy season, Sitaram has hired an assistant to help him manage the day to day operations at the kiosk. He has mapped out a strategy of assigning customer specific date and time in advance. He collects the account details from all the customers and assigns a particular date and time to all of them. He therefore maintains a clear record of all his customers and a log of time and date when they are expected. This helps him avoid sudden rush at any particular day and also ensures that he does not have to send any customer back because of rush.

### **Success Factor II. Computer Proficiency**

When Sitaram decided to join as a business correspondent, he understood that it is entirely based on technology and one of the success factors will be proficiency in usage of computers. He took a 3 months course on computer literacy and became proficient in using a computer, before he started his kiosk. He mentions that this has helped him a great deal in being successful.

### **Success Factor III. Network - Involvement in chit fund**

Apart from his work as a business correspondent, Sitaram is also a part of chit fund in the village for quite some time now. Association with the chit fund has helped him gain the trust and faith of the villagers and also to increase his visibility in his native and adjoining villages. He has build up a strong network while also strengthening his knowledge of banking and finance. This has allowed him to expand his outreach and he has gained a lot of customers through word of mouth.

### **Success Factor IV. Seamless Connectivity**

Sitaram has never faced any problems with connectivity in the area where he operates. There is a broadband connection through BSNL, which provides seamless connectivity for most time. There are circumstances, when there are some issues with the broadband connection, and to circumvent the same, he as a dongle as well. He mentions that he seldom runs out of connectivity and this is not an operational challenge for him.

## Case Study #4 -

<b>Name of CSP</b>	<b>: Gulrez Khan</b>
<b>District</b>	<b>: Jhabua</b>
<b>Name of Corporate BC</b>	<b>: NICT</b>
<b>Associated Bank</b>	<b>: State Bank of India</b>

*Gulrez Khan is a native of Jhabua, Madhya Pradesh. He lives with his parents and two brothers, and provides banking and financial services on behalf of State Bank of India. Gulrez started working as a business correspondent in 2013, and set up his kiosk in his native village. His family is very well-known in the community, and this made it easier for him to gain trust of his customers and to establish himself as a successful Business Correspondent. Apart from delivering financial services as a business correspondent, Gulrez also offers add on services like mobile recharge, photocopying, and lamination. This has helped him to add to his customer-base and earn extra income as well.*

### The growth trajectory – *shifting to sustainability*

Gulrez Khan started working as a Business Correspondent shortly after completing his studies. He came to know of opportunity to work as a Business Correspondent from one of his close relative who had recently joined NICT. He informed Gulrez about the opportunities associated with work as a Business Correspondent. Gulrez liked the idea of delivering banking and financial services as a Business Correspondent, and approached NICT to understand finer details of the business. He officially began working as a Business Correspondent in May 2013 and decided to set up a kiosk in his native village so that he could leverage the strong network and reputation of his family. Because of the fact that he belonged to a family of repute in the village, he was able to establish himself as a Business Correspondent with greater ease, and built up a strong customer base.

He made an investment of near about Rs 1 lakh initially in order to set up his kiosk (*Rs 50,000 for two desktops, Rs 13,000 for a photocopy machine, Rs 5,500 for a printer, Rs 2,000 for lamination, Rs 32,000 for an inverter, and Rs 5,500 for the biometric device required to conduct financial transactions*). He now incurs a cost of Rs 1,200 every month for his broadband connection and Rs 500 per month for the dongle. He runs the kiosk in a rented place and pays Rs 2,000 a month for the same. Apart from working as a Business Correspondent, Gulrez offers his customers a wide range of services ranging from photocopying, scanning, and lamination, to mobile and Dish TV recharge. These diversified services have allowed him to widen his reach and to spread awareness about banking and financial services. In this way, he provides information on benefits of having a bank account to those who come to his kiosk for additional services and do not have a bank account.

## Business Economics & Viability

Gulrez opens his kiosk early in the morning around eight every day and works until late in the evening. His customers come to him from not only his native village, but from surrounding villages as well. He therefore has to work longer hours in order to cater to the high volume of customers.

Over the past 2 years, Gulrez has opened a total of 8,000 accounts. Of these, 3,500 are accounts for women and 4,500 are for men. He actively encourages his customers to open RD accounts, and has managed to open a total of 5,000 such accounts so far. He conducts an average of 40 transactions per day, of which about 35 are withdrawals. The average amount withdrawn per transaction range between Rs 100 and Rs 10,000, while that for

- A total of 8,000 accounts opened since 2013
- 3,500 accounts for females and 2,500 for males
- Total of 2,000 zero-balance accounts
- 40 transactions per day – 35 withdrawals and 5 deposits
- Withdrawal amounts ranging from Rs 100-Rs 10,000. Deposit amounts ranging from Rs 500-Rs 5,000
- Average monthly earning of Rs 8,000

deposits range between Rs 500 and Rs 5,000. In order to cater to the high volume of customers, Gulrez maintains a liquidity of Rs 1 lakh on a daily basis. He does not face much difficulty in maintain the liquidity as the link bank branch is only 500 meters away from his kiosk, which makes it easy for him to make regular trips, whenever needed.

Most of the accounts with Gulrez are associated with social security schemes, which gets credited on a regular basis. Of all the accounts with him, 6,000 receives payments from NREGA and another 2,000 receives payments from other social security schemes like pensions and scholarships. Because of a large volume of accounts linked to these schemes, transactions are fairly regular, which also ensures constant flow of income to Gulrez. On an average, he makes an income of Rs 8,000 on a monthly basis. His highest was Rs 20,000 when the focus was on opening of accounts and the lowest he made in a month was Rs 5,500, when he had just begun working as a Business Correspondent. He had a gradual increase in his income as a Business Correspondent, as he became more established and with increasing awareness about the benefits of financial inclusion.

## Challenges faced and mitigation strategies

### Challenge I: Network Connectivity through BSNL

Gulrez is connected to internet through a broadband connection from BSNL, which has an office in his native village. He mentions that the office remains closed for around 10 days on an average in a month, which creates a lot of inconvenience for him. He mentions that he has complained about the same several times, still the problem persists.

**Mitigation Strategy:** In order to ensure continued connectivity, apart from having the broadband connection, Gulrez also has got a dongle. This allows him to be connected throughout the day, even though the speed of the

network is not the same as in the case of a broadband connection. But, this helps him to keep his kiosk running, so that he does not returns his customers back.

## **Driving factors for success**

### **Success Factor I: Proactive attitude towards increasing customer base**

During the initial phases when Gulrez started working as a Business Correspondent, he had approached Sarpanch of each of nearby villages in order to spread awareness about financial inclusion. He recognised that this was a crucial step to increase awareness about financial inclusion and build faith and trust for him among the villagers, which will ultimately trickle down to building a larger customer base.

### **Success Factor II: Financial literacy to customers**

During the initial phases, Gulrez figured that most of his accounts were zero balance and he was not able to make any income on those accounts. To have a check on such accounts, he made an effort and counselled his customers to have a minimum balance of Rs 100 in order to avail the complete benefits of their account. His efforts were successful and now he mentions that none of his accounts are zero balance. He also informed his customers about the benefits of opening RD accounts with deposits as low as Rs 10. There are now a total of 5,000 RD accounts with him.

### **Success Factor III: Support from Bank and NICT**

Gulrez receives continued support from both NICT and the link bank branch of State Bank of India as well. NICT keeps organizing trainings on frequent intervals of every 2-3 months, wherein training is given to all business correspondents on how to increase their commission, and on any new scheme introduced. Regular trainings and interactions with bank officials has helped Gulrez gain confidence to get success as a business correspondent.

### **Success Factor IV: Proximity to link bank branch**

Gulrez needs to maintain liquidity of around Rs 1 Lakh on a daily basis in order to disburse cash to his customers. To maintain such liquidity, he needs to make daily trips to the link bank branch to withdraw cash. Since the link bank branch is only 500 meters away from his kiosk, it makes it easy for him to make frequent visits and withdraw cash for disbursement, without disrupting his usual course of business.



## Case Study #5 -

<b>Name of the CSP</b>	<b>: Ashish Bavaria</b>
<b>District</b>	<b>: Jabalpur</b>
<b>Name of Corporate BC</b>	<b>: AISECT</b>
<b>Associated Bank</b>	<b>: State Bank of India</b>

*Ashish Bavaria is a resident of Jabalpur, Madhya Pradesh, and offers banking services to customers on behalf of State Bank of India. He lives with his parents, his brother, and his sister-in-law. Ashish has set up his kiosk in Paura village which is located 57km north of Jabalpur. There were no other banking kiosks in the area before he started work, and people therefore had to travel a long distance to get to the nearest State Bank branch. Ashish identified this as a good business opportunity. He has worked extremely hard over the years to build up a strong customer-base in an area where he is not a local, and believes that hard work has been key to his success.*

### The growth trajectory – *shifting to sustainability*

Ashish completed his Bachelor of Science in the year 2003, after which he began to work in a shop with his friend. His friend had heard about the opportunity to earn a higher income as a Business Correspondent and happened to inform Ashish about the same. The idea of establishing a close link with the Bank and the financial inclusion system as a whole appealed to Ashish, and he decided to meet with AISECT in order to find out more. In the meeting that followed, Ashish was informed about the income potential, the commission structure, and other opportunities that would be available to him as a Business Correspondent. He was impressed with what he had heard, and decided to set up his own kiosk in the village of Paura, which is 57km north of Jabalpur city. At the time when he was setting up, there were no other kiosks in the region. People therefore had to travel a long distance to get to the nearest State Bank branch. Although he did not get a place to sit at the Panchayat Bhavan, Ashish managed to rent out a small room at a convenient location – just off the main road leading into the village. He put down an initial payment in order to purchase a new laptop for Rs 24,000, a printer for Rs 10,000 and furniture for Rs 6,000. As a recurring cost, he pays Rs 1,000 a month as rent for his kiosk, and Rs 350 per month on electricity.

### Business Economics & Viability

Ashish's day begins early with a one hour commute from his house in Jabalpur to his kiosk in Paura. He takes the train and arrives at the kiosk at 8am. Ashish operates out of the kiosk itself, and customers come to him throughout the day until 7 in the evening.

Over the past four years, Ashish has opened 6,000 accounts, out of which 2,000 were opened after PMJDY was initiated. Ashish believes that there is still potential to open at least another 2,000 accounts. He began by providing basic transactional services like withdrawals and deposits to his customers. About 6 months ago, 50% of all accounts that he had opened were zero-balance accounts. The Bank then began to put pressure

- A total of 6,000 accounts opened, with 2,000 accounts for PMJDY
- Clients include 40% males and 60% females
- Withdrawals of between Rs 50,000 and Rs 60,000 a day
- Roughly 70-80 transactions a day (60-70 are withdrawals, and 15-20 are deposits).
- Average earning is between Rs 7,000 and Rs 8,000 per month.

on him to diversify services to include RDs and FDs. Ashish therefore started opening both RD and FD accounts, and 1 in every 3 accounts is now an RD account. The number of zero-balance accounts has also reduced significantly. He states that the main reason why people open accounts is to receive money from the schemes that they have enrolled for. Women constitute roughly 60% of his customer-base as the money that is given for all the schemes goes into their accounts. Apart from the women, a large percentage of his customer-base are children. Scholarship accounts are therefore very common. Ashish himself travelled to the nearby schools and opened up accounts for these children. Apart from account opening and transactions, Ashish also links Aadhar Cards to every account that he opens. For linking to older accounts however, he has to travel to the State Bank branch.

Ashish's monthly earning is between Rs 7,000 and Rs 8,000 a month on average, and the highest commission that he has earned in a month so far is Rs 27,000. This is a definite increase from the income that he earned while working in the shop, which came to a total of Rs 1,500 a month.

## Challenges faced and mitigation strategies

### Challenge I. Low literacy level among customers

One of the biggest problems that Ashish faces as a Business Correspondent is the low literacy level of his customers. Since Ashish was the first Business Correspondent to set up a kiosk in the village of Paura, people were not familiar with the concept of banking services – moreover, the role of a Business Correspondent as a middleman to provide such services. Ashish was not a local from the village and therefore did not have any network to use to his advantage. The mentality of the people continues to be an issue and misunderstandings are extremely common – for instance when the server is down, people do not always understand that it is a technical issue, and assume that he is simply being inefficient.

*Mitigation Strategy:* Ashish realises the importance of educating his customers, and acknowledges that spreading awareness is a crucial first step to facilitate greater financial inclusion. He therefore sets up awareness camps in the village in order to reach out to the people. He has also worked hard to build a trusting relationship with the Bank which has in turn helped him to gain more customers. Customers that arrive at the

State Bank branch are sent to Ashish and this has given his business a boost. He makes sure to explain the services offered to his customers in detail in order to prevent any misunderstandings from arising.

### **Challenge II. Low incentive to continue/sustainability of the model**

Ashish believes that after all accounts have been opened, the sustainability of the model will be brought into question. Commission rates have remained at the same level for a long time and would need to be increased in order to motivate Business Correspondents to continue operating. There is need for a better salary, bonus, and increment like that which employees in any organisation are entitled to. Ashish believes that Business Correspondents that work on behalf of a Bank should also be treated like the general employees of that Bank. Motivation to continue offering financial services will then exist even when transaction volumes are low.

## **Driving factors for success**

### **Success Factor I. Hard work and perseverance**

Ashish is patient and hard-working, and has therefore managed to ensure a steady income over the past four years. For instance, he himself travelled to all the primary schools and middle schools in the area in order to open accounts for the children so that they could obtain their scholarship funds. He has also worked extremely hard to build awareness and increase customer literacy through awareness camps in the village itself, and has built up a solid reputation without the help of a pre-existing network.

### **Success Factor II. Trust-building**

When he started work as a Business Correspondent, Ashish did not get any support from the Panchayat. He therefore had to work even harder to establish himself and to build a trusting relationship with the Sarpanch. He has also worked hard to build trust amongst his customers. His reputation has now increased to such an extent that some customers even come to him from other villages. Information about the quality of his services has spread (word-of-mouth) and his efforts have undoubtedly been recognised.

### **Success Factor III. Lack of competition in the early phase**

Ashish had opened up his kiosk in Paura four years ago, and his was the first kiosk to be opened in the area. He was therefore involved in financial inclusion and providing services to customers in the area without any competition before the PMJDY scheme was announced. A strong customer-base therefore existed before the PMJDY work even began.

### **Success Factor IV. Seamless internet connectivity**

Although Ashish initially faced some trouble with network connectivity and therefore in conducting transactions, he managed to resolve the issue by switching to another service provider. He now enjoys seamless internet

connectivity and uses a dongle to ensure that he stays connected to the internet at all times. He can therefore conduct transactions smoothly throughout the day without any disruptions.

**Success Factor V. Diversified financial services**

Apart from offering basic transactional services like deposits and withdrawals, Ashish has diversified his product-base and also offers services like RDs and FDs to his customers. Ashish finds that flexible RDs have been the most successful as people are not forced to put money in every month. They can put money in whenever they choose to, and can put in as much as they choose to (depending upon earnings from the crops). The minimum amount that he receives is Rs 20, and this can go up to Rs 500 a month. The flexibility of this service is what appeals to Ashish's customers.

## Case Study #6 -

<b>Name of the CSP</b>	<b>: Narendra Chadar</b>
<b>District</b>	<b>: Vidisha</b>
<b>Name of Corporate BC</b>	<b>: DSK Digital Technologies</b>
<b>Associated Bank</b>	<b>: Central Bank of India</b>

*Narendra Chadar, a native of Vidisha in Madhya Pradesh, has been associated with DSK Digital Technologies since October 2013. As a Business Correspondent, Narendra takes pride in providing banking services to customers in his community on behalf of Central Bank of India. He is motivated by the higher salaries that are paid to Business Correspondents as compared to other job options. Narendra has opened over 2,000 accounts so far, and finds his occupation both challenging and rewarding. He has completed class 12, is happily married, and lives in a joint family with four brothers.*

### The growth trajectory – shifting to sustainability

Prior to joining as a Business Correspondent, Narendra was working on his family farm growing wheat, along with his four brothers. Narendra's close friend, who is in the Panchayat, advised him to apply for the opportunity as a BC to provide banking services to people within his community. He had initial hesitation because he thought that the opportunity would require him to make a large investment. After discussions with members from DSK Digital, he was reassured that he would be provided with a DSK device, free of cost, and that he will be able to service customers from the convenience of his own house. Narendra accepted the offer after receiving approval from elders in his family. Soon after joining, he attended a full day training session in Bhopal with other new BCs. He gained knowledge on the banking services that he would provide to his customers and received one-on-one training on DSK Digital's handheld POS device, which he found easy to use. His total monthly expenses average Rs 1,500, which is primarily spent on petrol for his motorcycle, paper for his printer and refreshments when he goes to meet his customers. Central Bank of India and DSK Digital provided him with posters, which he put up at the Panchayat, and information brochures for his customers. The Panchayat played a significant role in initial awareness building efforts to nearby villages. The Panchayat recruited a group of students to go door-to-door to tell customers of the services provided by Narendra. This support from the Panchayat was crucial in facilitating trust with members from the community. Within a short period of time, Narendra has been able to build up a name for himself within Vidisha. He was delighted to hear that, with his help, Vidisha was the first district in Madhya Pradesh to open all household Bank accounts which has given him a great sense of pride.

### Business Economics & Viability

Narendra starts his day at 5am by documenting his previous day's transactions. He frequently compares his current monthly progress to the previous month's progress, which serve as his targets. About 30% of his

transactions are done from his house which is located in a central area. He provides service to customers in Zila and Gyaspur and often travels to these Panchayats to provide convenience to his customers – many of whom are daily labourers in low income work. On a regular day, Narendra deals with about 20-25 customers, and works for about 10 hours every day.

Narendra has found that people withdraw cash significantly more in the wedding season (October to February) after which transactions slows down until June and July. He claims that during the monsoon season, customer footfall again increases due to increase in agricultural activity. The seasonal variations affect both the number of customers that he interacts with, as well as the corresponding number of transactions that he can process.

During the initial months that Narendra provided financial services, men constituted his entire customer base. He later realised that the reason women were not approaching him was because he operated from his house. This pushed him to change his strategy to meet female customers where it would be convenient for them. His customers now comprise of 75% men and 25% women. There are roughly an equal number of deposits and withdrawals that he processes every day, with the exception of holidays and festivals where withdrawals may exceed deposits. Narendra processes all transactions using the device that DSK Digital provided to him free of cost. His monthly income varies and is highly dependent on seasonal transactions. Greater transactions allow him to earn a higher commission and therefore a higher overall income.

- *Clientele gender split improved from 100% males to 75% males and 25% females*
- *20-25 customers on an average per day*
- *Roughly an equal number of deposits and withdrawals*
- *Base monthly salary is Rs 2,500 plus average commission of Rs 3,500*

Narendra earns a base salary of Rs 2,500 from DSK Digital plus commission. His commission has varied between Rs 700 to Rs 6,000 but typically averages around Rs 3,000. This results in an average salary of approximately Rs 5,500 per month. After incorporating his expenses, Narendra has a net income of Rs 1,500. Narendra recently purchased a printer for Rs 15,000, which he found to be crucial for his services.

## Challenges faced and mitigation strategies

### Challenge I. Uncertainty of commission every month

Although Narendra is motivated by his relatively high salary (compared to alternative job salaries), he is concerned about the commission that he receives over and above his fixed salary. This commission tends to fluctuate between Rs 700 and Rs 5,000. The lowest commission that he received at the beginning of his role, made him realise that he would need to be more proactive in order to ensure a steady source of additional income over and above his base salary that he requires to support his family.

*Mitigation Strategy (Diversifying financial services):* Narendra has started educating his customers so that he can make use of additional financial services - over and above basic transaction and account openings services. For instance, he takes care of the seeding of Aadhar cards by linking the Aadhar card of a customer to his/her Bank account. He is paid a small fee for every such form that is filled and link that is made. Although the amount is minimal, he finds that this acts as an additional source of income which is especially important as commissions can be low. Currently, he is ensuring all of his customers that he interacts with are aware of insurance schemes.

## **Challenge II. Low Cash Limit from the Bank**

Narendra's commission is directly linked to the number of transactions that he has conducted and he finds it hard to cater to customers with an overdraft limit of only Rs 10,000. This amount has been allotted to him by Central Bank of India. Narendra often has to make additional trips to the Bank in order to ensure that he has sufficient money in his account and that he does not lose any customer transactions. Although he expects the Bank to eventually increase this cash limit, he is also aware of the additional safety concerns that would arise when dealing with moving larger volumes of cash on his motorcycle.

*Mitigation Strategy:* Narendra has realised that in order to overcome the existing limitations, he needs to remain one step ahead. He does this through methodical planning and record keeping. He makes sure to review his previous work so that he can plan for the day accordingly. For instance, planning helps him decide whether he needs to make a trip to the Bank that day, and also to account for how much cash he would require (taking into consideration the Bank limit). Sometimes during peak season, Narendra finds that he needs to go to the Bank on a daily basis. The Bank is 25km away from his house and takes him an hour to get to on a motorcycle. He therefore factors these trips into his agenda for the day so that it does not disrupt his interaction with customers especially in the peak hours.

## **Driving factors for success**

### **Success Factor I. Organisation and Approach**

Narendra starts his day by reviewing transactions of the previous day. He plans his day depending on the amount of cash he has in hand and determines if it is sufficient enough to get him through the day. In his notebook, he documents the number of customers served per day and type of transactions. This helps as a reference point to plan forward. Based on this planning, he has been able to predict the day of week as well as time of day for high customer transactions and accordingly visits the Bank for cash. Narendra is hardworking and always willing to go the extra mile to get his work done properly. He wakes up early in order to plan out his day and often works extremely long hours. He also ensures that he uses this time to maximise efficiency. He is well-respected by everyone in his community and receives appreciation for his hard work. This further motivates him to maintain that standard.

### **Success Factor II. Local network and relationship with the Panchayat**

Narendra has a strong local network that he uses to his advantage. He identifies customers who have zero-balance accounts, and uses his close connections with the Panchayat to reach out to them and encourage them to deposit more cash. He also educates them about the benefits of savings so that they can be eligible for the PMSBY scheme. In this manner, he also contributes towards increasing financial literacy.

The Panchayat also provides assistance to him by making announcements on his behalf and allocating individuals to go door-to-door to educate the community and encourage them to use his services. He therefore ensures that he maintains a healthy relationship with the Panchayat as they play a crucial role in assisting him with his day-to-day activities. They also help him to spread awareness about new schemes. Narendra was recommended to DSK Digital by the Sarpanch as a trustworthy member of the community.

### **Success Factor III. Reliable technology**

Narendra claims that connectivity has never been an issue in the area where he operates. On the contrary, he has found that it works well. He is also happy with the device that DSK Digital has provided him with. The user friendly device along with strong connectivity in his kiosk together allow him to run transactions smoothly without any technical glitches.

### **Success Factor IV. Effective capacity-building**

Narendra feels that the quality of training offered by DSK Digital is a major factor that has led to his success as a Business Correspondent. They have provided him with training on a number of topics ranging from technical capacity building to improving soft skills. He has internalised these concepts which now play a crucial role in his day-to-day functioning.



## Case Study #7 -

<b>Name of the CSP</b>	<b>: Ram Singh</b>
<b>District</b>	<b>: Bhopal</b>
<b>Name of Corporate BC</b>	<b>: FINO</b>
<b>Associated Bank</b>	<b>: Canara Bank</b>

*Ram began working as a Business Correspondent with FINO in December 2014. He is a resident of Bhopal in Madhya Pradesh, and provides banking services to customers on behalf of Canara Bank. Ram does not have a fixed location that he works out of and travels with his portable POS machine from one customer to another. It was Ram's neighbour and family friend, a Bank Manager at Canara Bank, who informed him about the job opportunity. He felt that this would be a good opportunity to make a name for himself and to make his family proud. Ram lives at home with his father, mother, and 2 brothers.*

### The growth trajectory – *shifting to sustainability*

Ram found out about the job opportunity as a Business Correspondent because of his connections with the Bank Manager of Canara Bank, who is from the same village. The entire recruitment process was facilitated by members of the Panchayat that he knows as well. Before taking on this job, Ram assisted his family on the farm but knew that he wanted a job where he could interact with people and work with others from the community. Knowing that the farm was in good hands, Ram started asking his neighbours for employment opportunities. After hearing of the opportunity to work as a Business Correspondent, Ram was motivated to explore the option. He felt that this would be a good challenge and a refreshing change from working on the farm with his parents. Ram was told by his friend that he would be able to have a flexible schedule where he could continue to assist his parents on the farm during the busy season. Moreover, it would allow him to build up a good reputation for himself. Ram managed to secure the job in December 2014, and began to work immediately. He is proud to be linked to the banking sector. He has received training by both FINO (a one day course) and Bank of India (a seven day workshop). These training sessions and workshops have given him motivation and a sense of confidence. Ram's employment has become a matter of prestige for his family as well.

### Business Economics & Viability

Ram does not work out of a kiosk and instead travels from one location to another in order to interact with his customers. He visits customers in Amravatkala, Suraj Nagar, and 8 other villages around Bhopal using a portable handheld machine that was provided to him by FINO. On certain days, he is able to work out of his house as well, so he feels that he can take advantage of both models –through a fixed location and through his ability to move around. There are a number of customers that actually prefer to visit him at his house. Ram does not have a daily fixed routine. It all depends on his customers and whether they require his services for that particular day. On

the one hand, there are days where he has to travel extensively, and on the other hand, there are days where he returns home early. Customers begin requesting for his services any time after 6am and this continues up to 10pm. The average number of customers that he deals with every day is between four and five. Although he deals with both male and female customers, he interacts with a greater number of male customers on a day-to-day basis.

- *2,000-2,500 accounts opened under PMJDY*
- *Clientele composition is 60% male and 40% female*
- *4 - 5 transactions carried out every day*
- *Amount transacted per day ranges from Rs 10 to Rs 7,000*
- *Approximately 4-5 customers per day*
- *Deposit to withdrawal ratio is roughly the same*
- *Earns an average of Rs 5,000 per month*

His customers are spread over all age groups, with a significant portion of them in the earning bracket.

Ram claims that, so far, there are large variations in the number of transactions according to the season or time of year. Ram was able to open 2,000 – 2,500 PMJDY accounts before the deadline of January 2015 by setting up camps in his allocated sub-districts. From February to May 2015, he was servicing fewer customers no new accounts were opened. Recently, his transactions have primarily been Aadhar Enabled Transactions, money remittance services and providing insurance coverage services, for which he has been able to enrol 500 of his existing customers. He is also hoping for transactions to pick up again for his customers who have pensions. It is the needs of his customers that affect how many times he needs to travel to the Bank. Some seasons require greater travel with more than 2-3 visits in a week, while others are less demanding. The Bank is located about 7km away from his house.

Ram's fixed salary is Rs 5,000 per month. In order for him to meet FINO requirements, Ram must meet a minimum of 25 transactions per month – a goal which he feels is easy to attain as customers are always easily available. His initial investment for the POS device was Rs 15,000; he made the payment to FINO in the form of a Demand Draft. He was also given a mobile along with the device in order to communicate to his customers. However, Ram must pay his own mobile bills as only the initial cost of the mobile was covered by FINO. Since Ram does not have to travel too far to get to the villages, he spends only Rs 200 on fuel for his motorcycle per week. His total monthly expense therefore is about Rs 1,000 ensuring him savings of Rs 4,000 per month. Furthermore, he lives at home with his parents which has further relieved him of a significant financial load.

## Challenges faced and mitigation strategies

### Challenge I. Bank and machine cash limit

The biggest problem that Ram faces is the limit on cash that has been set by the Bank, along with the limit that is set on the actual device that he uses. He withdraws Rs 7,000 from the Bank every two to three days and feels that the amount is not sufficient to meet the expectations of his customers. He faces a problem when his customers wish to transact greater amounts. The process to withdraw money from the Bank is long as he needs to first fill out an application form after which the amount only comes after 24houRs Furthermore, he finds the

actual device problematic as the device itself does not accept amount that are over a certain limit. He therefore feels extremely limited in the number and volume of transactions that he can perform in a day.

*Mitigation Strategy: In order to meet his customer's expectations, Ram makes a greater number of trips to the Bank in order to ensure that he has enough liquid cash with him before he travels to the customers. He is thankful that the Bank is not too far from his house, and is hopeful that the Bank will increase this limit to at least Rs 25,000 in the future.*

### **Challenge II. No commission structure and not enough incentives**

Although Ram is extremely happy with his job as a Business Correspondent, he feels that there is not enough of an incentive provided by either FINO or the Bank to encourage Business Correspondents to work harder. The basic salary and commission that has been promised over and above that is also very low, and he does not feel that this is sustainable in the long run. He finds it unfair that he receives the same amount of money than other Business Correspondents, though he has more transactions.

*Mitigation Strategy: Ram remains optimistic that things will change in the future, and hopes that greater incentives will be given so that Business Correspondents are motivated to facilitate more transactions. He feels that the monetary reward is the most important factor to retain Business Correspondents. He does not have any alternative source of income, and is entirely dependent on his income from his job as a Business Correspondent.*

## **Driving factors for success**

### **Success Factor I. Strong local network**

Ram has connections to the Sarpanch and other members of the Panchayat. These connections not only allowed him to get the job as a Business Correspondent, but also to build his initial customer base. Ram feels that the Sarpanch gave him the initial boost that he needed since he had joined without any prior experience. Thereafter, he has slowly been building up an image for himself and increasing his own reputability through maintaining good relations with each customer that he interacts with.

### **Success Factor II. Simple Device and strong network connectivity**

The POS device given by FINO is reliable and easy-to-use. So far, Ram has only called technical support to rectify occasional error codes that he receives which is easily fixed. Since he works in the city of Bhopal itself, and travel is limited to places that are within a close radius, Ram does not face any major problem with network or connectivity. He does not have any trouble with the processing of transactions due to network errors. The locational advantage is therefore one of the many reasons why Ram has been able to become successful as a Business Correspondent.

### **Success Factor III. Proactive attitude**

Ram takes a very proactive approach to his job. Instead of remaining at a fixed location, he chooses to travel from one location to another in order to ensure maximum customer outreach. This therefore allows him to cover more customers in a day than instead of waiting for customers to come to his house. Since there are some customers that prefer to come to his house as well, he makes use of both his mobility and having a fixed point. Ram is also aware of other Business Correspondents who only meet the requirement from FINO of 25 monthly transactions. Ram however does not limit himself to 25 transactions because he enjoys travelling in order to meet and help his customers. This positive attitude towards work has made Ram successful in his work.

### **Success Factor IV. Support from FINO**

Ram finds that the support and training provided by FINO is a major reason for him to deliver quality services. Coming from a disadvantaged background, it is FINO's training that has allowed him to develop the necessary skills and build up a high level of confidence. This has helped him to build up a reputation for himself, and his customers have begun to trust him. This further motivates him to maintain a high standard.

## Case Study #8 -

<b>Name of the CSP</b>	<b>: Saurabh Senger</b>
<b>District</b>	<b>: Rajgarh</b>
<b>Name of Corporate BC</b>	<b>: DSK Digital Technologies Pvt. Ltd.</b>
<b>Associated Bank</b>	<b>: Central Bank of India</b>

Saurabh is a resident of Biaora in Rajgarh, Madhya Pradesh, where he lives with his mother and younger brother. He found out about the job of a Business Correspondent with DSK Digital through his mother, who is a LIC agent. Shortly after submitting his application, Saurabh began providing services on behalf of Central Bank of India in November 2014. Aside from his job as a Business Correspondent, he is doing his Bachelors in Engineering. In order to ensure that his job runs smoothly while he is studying, his mother and brother help out in the day-to-day activities. The provision of banking services has therefore become like a family business that runs alongside his mother's pre-existing businesses—a kiosk for LIC in Biaora. As of January 2015, the family established an additional kiosk in the village of Alampura in order to reach their customers.

### The growth trajectory – shifting to sustainability

Saurabh became aware of the opportunity as a Business Correspondent through his mother, Sangeeta. A few years ago, Sangeeta opened up a kiosk in Biaora where she began to carry out work on behalf of LIC (Life Insurance Corporation of India). As the sole earner in her family, she knew she had to make her business successful. She conveniently located her kiosk in a high traffic intersection near the Central Bank of India. Over the years, Sangeeta became well-known and respected at the Bank as an agent providing professional and reliable services to clients. On one of her visits to the Bank in November 2014, she was informed that a Business Correspondent had withdrawn. The Bank Manager approached Sangeeta and asked her whether she would be interested. Sangeeta nominated her son, Saurabh, as she knew that he would be graduating soon, and that this would be a good source of income. It was therefore through both Sangeeta's connections and reliable history with the Bank that the family was given the opportunity to work with DSK Digital to provide banking services on behalf of Central Bank of India.

The family uses their LIC customer base to educate existing customers to ensure that they open PMJDY accounts. Through word-of-mouth, these customers had communicated the scheme to their family and friends who subsequently came to the family kiosk to open accounts. In January 2015, the family opened an additional kiosk in Alampura in order to ensure that they are able to serve all of their customers. Given her close network with the Panchayat, Sangeeta pays a much lower rent for her kiosk in Alampura and takes advantage of her network to help spread awareness. Saurabh's younger brother, Ashu, manages the kiosk and customers in Alampura

which is a 25 min drive from Biaora. Currently Saurabh is not actively involved in the day-to-day operations of the business however is planning on taking on responsibilities following his graduation in June 2015.

## Business Economics & Viability

Sangeeta operates the Biaora kiosk daily from 10am - 7pm providing both LIC and banking services. An average of 15 – 20 customers arrive daily for banking services with highest traffic between 10am and 3pm and again at about 5pm after working hours. The ratio of males to females is roughly even. This is because when the men go to work, the women come in on their behalf in order to get the Bank work done.

The family serves customers from Alampura, Palabey, Jagnyapura and Bankpura which mainly consist of farmers and small retail shop-owners. A large number of their customers come in order to claim LPG gas subsidies as well as other subsidies. These subsidies are linked directly to their accounts, and the money therefore comes directly as per

- 950 accounts opened under PMJDY
- Clientele composition is roughly even (50-50)
- Greater withdrawals compared to deposits in a month
- Amount transacted per day varies between Rs 100 and Rs 10,000
- Average of 15-20 customers per day

their entitlement. Furthermore, there are between 5 to 7 elderly customers who come daily to avail pension services. The family processed the largest number of account openings in the period between November 2014 and January 2015 with 950 account openings under PMJDY. The kiosk in Alampura was initially opened as a temporary establishment in January in order to reach customers who wanted to open accounts under the scheme. This kiosk is currently operated by Ashu only two to three times a week in order to continue serving customers in the village.

The total salary that the family earns from their Business Correspondent activities is Rs 2,500. As of date, there is no commission that has been earned so far, over and above their salary. The family is however aware of DSK Digital's policy which stipulates that commission is provided after a period of six months of joining. After accounting for extra costs like rent and travel, the family manages to breakeven by the end of the month with income solely from Business Correspondent services. The family is looking forward to commission payment in the following months and are hopeful that the insurance scheme in addition to door-to-door awareness initiatives will serve as a major incentive for people to use their accounts for transactions.

## Challenges faced and mitigation strategies

### Challenge I. Delays in customer account authorisations

Saurabh and Sangeeta claim that there are often prolonged delays in the Bank authorising accounts. They have no trouble in opening the accounts from her shop, but there are delays in the Banks linking new customer accounts to Aadhar cards before which the customer cannot transact. This delay has resulted in them losing out

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on numerous transactions for that particular day until the authorisation comes through and the account can be used.

*Mitigation Strategy:* The delay in authorisations has been an ongoing problem that Saurabh and Sangeeta have brought up repeatedly with the Bank. So far, they do not feel as though anything has been done about the matter. It is Sangeeta's other source of income from her LIC work that allows them to continue working without any financial strain. She therefore tries to ensure that this remains uninterrupted. She also has the security that her customers will return to her at a later point, since they already know her well.

## **Challenge II. Large number of Zero-balance accounts**

A very large number of accounts that have been opened contain no balance. This is due to two main reasons; firstly, there are often delays in the Bank authorisations and subsequent delay in account openings that prevent the customers from financial transactions when they wish to deposit sums of money into their accounts. Secondly, people are still apprehensive about parting with large amounts of money. Saurabh and Sangeeta feel that there is a great need for financial literacy and that is something that they have been trying to work on. Familiarity with the customers only works up to a point-of-opening the account. But in order to ensure that transactions continue, extra efforts is required. They face a great deal of pressure from the Bank to ensure that zero-balance accounts decrease and this has been a challenge.

### *Mitigation Strategy:*

*Saurabh and Sangeeta have not been able to do much about the delays in authorisation, but have been trying to create more awareness among the customers. They are therefore attempting to teach customers personally about the benefits of depositing more. Sangeeta feels that the best way to approach customers is through word-of-mouth, as that makes it more personal and effective.*

## **Driving factors for success**

### **Success Factor I. Existing customer base**

Due to her existing shop and prior work with LIC, Sangeeta already had already gained the trust of a well-established customer base. She realised that she could use this network to her advantage in order to reach out to more people for banking services. There was a steady stream of customers that would come to her every week, and she would make sure that each one opened up a Bank account with her. Apart from the LIC network, people would also come to her shop in order to get other small jobs done – like printing and photocopying. Some would also come to her for work related to their Aadhar cards. She made sure that each of these customers was brought on to the scheme as well.

### **Success Factor II. Existing Infrastructure**

Sangeeta already had her own shop, and as a result the basic infrastructure was already in place. The family was not required to make any initial investments in order to operate as a Business Correspondent. DSK Digital had provided their device at no cost and the Bank had provided a desk, chair and branding material for their kiosk. Sangeeta uses the printer and photocopying machine that she already had as well whenever needed. This has helped them to save on monthly costs and ensure a smooth offer of services to the customers.

### **Success Factor III. Family run business**

Since Saurabh, Sangeeta, and Ashu all work together, there is never a problem of losing out on customers as it is easy to divide up tasks amongst themselves. For instance, although the Bank has set a cash limit of Rs 10,000, Sangeeta claims that this does not trouble them much. While she sits at the shop dealing with the customers who also come in for the LIC work, her son gets the Bank work done. Their interaction with the customers is therefore uninterrupted as they alternate between Bank work and sitting at the shop.

### **Success Factor IV. Connection with the Sarpanch**

Apart from her connections with the Bank, Sangeeta is also well-connected the Sarpanch. The Sarpanch assists her in reaching out to customers, and especially when it comes to organising financial literacy initiatives or camps in the village. She feels that this connection has given her work a major boost through greater exposure and a larger customer base as well.



## Case Study #9 -

<b>Name of the CSP</b>	<b>: Yogesh Sharma</b>
<b>District</b>	<b>: Rajgarh</b>
<b>Name of Corporate BC</b>	<b>: DSK Digital Technologies</b>
<b>Associated Bank</b>	<b>: Central Bank of India</b>

*Yogesh has been associated with DSK Digital Technologies since November 2014. He works as a Business Correspondent in Biaora, which is located in the district of Rajgarh, Madhya Pradesh. He offers financial services to customers from three areas under the same Panchayat – Jepla, Dhanya Khedi and Jepli. Yogesh is well-educated. He has completed his BA before starting work as a Business Correspondent and is currently enrolled in a MA programme. He lives at home with his parents, his siblings, his wife, and son. Yogesh is optimistic about the future of PMJDY, and believes that it has already formed a strong link between the Banks and people in the rural areas. He is looking forward to participating in Phase II of the scheme and to gain experience in the banking industry.*

### The growth trajectory – shifting to sustainability

After graduating from school, Yogesh was confident that he wanted to study further. He believed that a higher education would provide him with an edge over the others in his village, especially when looking for a job in the future. Yogesh therefore decided to do a Bachelor of Arts (BA). After completing his degree, he began to explore job opportunities to utilise the skills that he had learnt in college. Yogesh is financially secure because of his family farm but did not wish to join his father as a farmer. He wished to take on something more challenging that would give him good experience, exposure and recognition within the community. A good friend of his from the community had managed to secure a job as a Business Correspondent with DSK Digital, operating on behalf of Central Bank of India. Yogesh expressed an interest in the opportunity, and asked his friend if he could put in a good word for him. He was soon short-listed for an interview with Central Bank of India, and subsequently with DSK Digital. After a long wait, Yogesh managed to successfully secure the job and began his work as a Business Correspondent in Biaora. His only setup cost was an initial deposit of Rs 20,000 for a fixed deposit account. He has been fortunate to receive tremendous support by the Panchayat, which has provided Yogesh a kiosk next to the Panchayat to operate from and awareness building support. Yogesh's friend has also been instrumental in him securing a job with DSK Digital as well as providing initial and ongoing support in his new role.

### Business Economics & Viability

In total, Yogesh has opened 1,100 accounts since he started working in November 2014. He currently serves approximately 8 – 10 customers per day which mainly consist of farmers and low-wage earners who work in the nearby villages which are the two primary occupations of people in Rajgarh. About 60% of his customers are male,

and the remaining 40% are female, with a significant portion comprising of senior citizens. His customer-base is not limited to just the villages, as there are a few customers who come to him from the city as well.

The peak transaction hours for Yogesh are between 8am and 12pm, and then between 4pm and 8pm. There are a larger number of withdrawals that take place compared to deposits, as a large percentage of his customers are senior citizens who come to him to withdraw their pensions. Yogesh has been able to enrol 200 of his existing customers to Pradhan Mantri Jeevan

- 1,100 accounts opened under PMJDY
- Clientele composition is 60% male and 40% female
- Greater withdrawals compared to deposits in a month
- Average amount transacted per day is Rs 1,000
- Average of 8-10 customers per day

Jyoti Bima Yojana (PMJJBY) since the introduction of the scheme and plans to open even more by cold calling his existing eligible customers who he thinks may be interested. Although there are transactions that take place throughout the year, seasonal variations are common. For instance, the wedding season and holidays result in an increased number of transactions both in terms of deposits and withdrawals.

Yogesh's earns a fixed monthly salary of Rs 2,500, has not yet received a commission payment as of date and has not no other source of income. His total monthly expenses for providing BC services are approximately Rs 700 – 800 per month. Yogesh has no rental costs since he works out of a kiosk that has been provided by the Panchayat. He does however carry the burden of paying electricity bills for the kiosk which amount to approximately Rs 200 per month. Furthermore, his main expenses are mobile bills of Rs 200 per month and petrol for his bike which are Rs 300 – 400 per month. Yogesh spends an estimated Rs 50 in petrol for every time he is required to go to the Bank, which is 11km away and takes him half an hour. He tries to optimise his time and limit his costs by visiting customers along the way to the Bank. Yogesh's main concern is continuing to operate from the kiosk provided by the Panchayat, which is saving him Rs 1,500 per month in addition to a premium location within the village. Yogesh is skeptical about being financially viable as a Business Correspondent if he is required to pay rent for the kiosk.

## Challenges faced and mitigation strategies

### Challenge I. On time salary and commission

Yogesh does not received his salary and commission for several months at a time. This has greatly impacted his ability to succeed as a Business Correspondent and is also a reason for great family pressure for him to change his line of work. Yogesh believes that with a regular salary payment, he would be able to use his knowledge from his BA degree to create strategies to further expand his services.

*Mitigation Strategy: Yogesh primary motivation to work as a Business Correspondent is to acquire experience in the area of banking and exposure within the community. Currently, he is able to support himself as a student through his family farm however, he is pessimistic about how much longer he is able to continue working as a*

*BC without a regular salary. He tries to limit his expenses by making fewer Bank and customer visits and reducing his mobile usage but this significantly impacts his success. Yogesh tries to follow-up regarding his salary on a monthly basis and is hopeful for a lump-sum compensation soon.*

### **Challenge II. Network connectivity and device issues**

Yogesh finds that intermitted network connectivity often restricts his ability to work efficiently. He often finds himself unable to conduct transactions due to server errors, and claims that this happens frequently when on the move. In such a case, he either has to wait a long time for the server to resume working, or otherwise has to return to the customer at a later time. This is an additional cost for him in terms of both time and the fuel expense. Apart from network issues, Yogesh has experienced technical difficulties in the device itself. Device problems are fixed by a technical expert through the Corporate BC which takes between 10 – 15 days to fix following a formal request.

*Mitigation Strategy: In order to minimise network issues, Yogesh tries to conducts transactions from his own kiosk as much as possible. He finds that the fixed location allows for better connectivity and therefore he tries to limit his travel. Yogesh only travels to the customers when it is absolutely needed in cases where the customer is unable to come to the kiosk. Yogesh is unable to resolve technical difficulties by himself however, he ensures that he contacts the Corporate BC immediately so that the repair process is as quick as possible.*

### **Challenge III. Low Bank limit**

Yogesh finds the limit of Rs 10,000 set by the Bank extremely low, and this often restricts the number of transactions that he can conduct in a day. He often has to make multiple trips to the Bank in order to withdraw cash, and this results in a significant cost. He therefore loses out on the customers that wish to transact at that particular time of the day as the distance between his shop and the Bank is 11 km one way. Since the roads are in a bad condition, it takes him even longer and he finds this exhausting.

*Mitigation Strategy: Since Yogesh is helpless when it comes to altering the actual Bank limit, he tries to solve the problem by planning trips to the Bank at times when he knows customers are busy and unlikely to come in large numbers, for instance in the afternoon. This is the time when most people are either away at work or resting.*

## **Driving factors for success**

### **Success Factor I. Mentorship from other Business Correspondent**

Yogesh credits his trusted friend, who is also a Business Correspondent, for much of his success. He claims that many of the strategies he himself has incorporated are learnings from his friend which have been passed down. For example, when Yogesh was building his customer base within his community, it was his friend who had suggested to ask for flyers and other branding material from Central Bank of India and take this door-to-door to

spread awareness about his services. Yogesh has regular interactions with his friend for mentorship support which helps him share ideas on how best to develop his service offerings.

### **Success Factor II. Approachability and reputation**

When Yogesh began working as a Business Correspondent, he realised that one of the most crucial elements to succeed, apart from a clear working knowledge of financial services, is the ability to build trust among customers. From the very beginning, Yogesh tried to create an atmosphere where customers could approach him with any queries that they might have before opening accounts or initiating transactions. He felt that the customers were initially apprehensive about depositing large sums of money, and therefore realised that the first step would be to address that issue. Yogesh has found that his approachability has caused customers to not only increase the number of transactions conducted, but also to gradually deposit larger volumes of cash. This has allowed him to build up a sound reputation. He also ensures that every customer receives a receipt for their transaction, which helps to reinforce the legitimacy of his profession and his link to the Bank.

### **Success Factor III. Support by the Panchayat**

The kiosk provided by the Panchayat is used by Yogesh as his primary base to conduct transactions with his customers. The kiosk is conveniently located next to the Panchayat and in a premium location where customers can stop by on their way to the market. The close proximity to the Panchayat has enabled him to gain trust by his customers and cater to a larger customer base. He has also managed to save on a major expense which may have limited him in his success.

### **Success Factor IV. Initial training by DSK Digital**

Yogesh was extremely happy with the initial support that was extended to him by DSK Digital. Through initial and ongoing training programmes, Yogesh has gained crucial knowledge about financial services and the banking sector. He was able to have all of his inquiries addressed which gave him a great deal of confidence for his work. He feels that there is a good platform for him to raise his queries and that has allowed him to develop a sense of security. Yogesh's appetite to learn and gain experience in the industry has been his primary reason for his success and he hopes to transmit this knowledge to his customers in order for them to benefit from various schemes.

## Case Study #10 -

<b>Name of the CSP</b>	<b>: Jaiprakash Ganveer</b>
<b>District</b>	<b>: Balaghat</b>
<b>Name of Corporate BC</b>	<b>: FINO</b>
<b>Associated Bank</b>	<b>: Central Bank of India</b>

*Jaiprakash Ganveer is a resident of Akodi village in Balaghat, Madhya Pradesh. He has been working as a Business Correspondent on behalf of Central Bank of India for 5 years. He works out of his own house, where he lives with his mother, his wife, and two children. Jaiprakash's previous work involved working as a committee mobiliser with SHGs in his own village. He had therefore acquired relevant experience in the micro-finance domain before he began work with FINO as a Business Correspondent. He now wishes to expand services and move his Business Correspondent activities to a new office with proper signage and better infrastructure.*

### The growth trajectory – *shifting to sustainability*

Jaiprakash was very young when his father passed away, leaving the family with no earning member. Coming from a weak socio-economic background, the family struggled to make ends meet. Jaiprakash got married shortly after completing his Class 12 exams and began looking for a stable source of income to support both his mother and wife. He managed to secure a job with a NGO that worked closely with SHGs (Self Help Groups) funded by NABARD in his own village and the surrounding area. Through this job, Jaiprakash had the opportunity to learn about micro-finance programme and committee mobilisation at the rural level, and he built up a strong reputation as a committee mobiliser with SHGs in his village. Once this work came to an end, the General Manager of NABARD informed him about the opportunity to work as a Business Correspondent for Central Bank of India. Since Jaiprakash already had prior knowledge of micro-finance and had worked closely with SHGs, he was a strong candidate for the job. He began providing banking services for Central Bank of India in 2010 through FINO. FINO provided him with a PoS device that he decided to use from his house itself. Jaiprakash's highest expense is now on fuel for the motorcycle that he requires to travel to the Bank. For travel within the 2.5 km radius of his village, he uses a bicycle. He has been provided with a cupboard/Almirah, a table, and chairs - free of cost from Central Bank of India, and now wishes to expand and shift services to a proper office which will be devoted exclusively to providing banking services. He has also taken up a part-time job as a painter in the main city of Balaghat to substantiate his income.

### Business Economics & Viability

Jaiprakash does not have a fixed routine for the day as he works out of his own house. His customers arrive any time after 7am (before they leave for work), until 8pm (before returning home). Sometimes, a few of his

customers come in even after 8pm. In such cases he is forced to work slightly longer hours. The vast majority of customers however come to him in the morning itself.

Over the past five years, Jaiprakash has opened over 1,500 accounts for customers in Akodi village, where he is the only Business Correspondent. After finishing with the account openings, Jaiprakash began to offer his customers basic transactional services like deposits and withdrawals. A large number of elderly customers continue to come to him in order to

- A total of 1,500+ accounts opened, with 275 accounts for PMJDY
- Clients include 30% males and 70% females
- Withdrawals of about Rs 8,000 per day
- Monthly transactions (both withdrawal and deposit amounts combined) of about Rs 2 lakh.

withdraw their pensions - 250 accounts are primarily used for pension withdrawals, and the number of withdrawals greatly exceeds the number of deposits every month. When the PMJDY scheme was initiated in 2014, Jaiprakash opened a further 275 accounts. He then started linking customers' Aadhar Cards to their accounts for which he would make frequent trips to the Bank and get paid Rs 5 for every Aadhar seeding. Jaiprakash has recently started providing accidental insurance services for an annual premium of Rs 12. A total of 1,400 account holders have availed of this facility. The life insurance scheme that requires an annual premium of Rs 330 is not as popular and only 100 accounts have been opened to avail of this service. Although he has begun conducting loan recoveries, he does not offer any RD or FD services yet.

The highest amount that Jaiprakash has earned in a month is Rs 2,000, and on an average, he earns between Rs 1,200 and Rs 1,500 from his work as a Business Correspondent. Over and above this, he also earns money from his painting work in Balaghat and from work on a farm.

## Challenges faced and mitigation strategies

### Challenge I. Low level of trust

Jaiprakash has been working as a Business Correspondent for the past five years and still feels that trust amongst his customers is a major obstacle. Although he provides his customers with a receipt for each transaction conducted, he frequently faces questions regarding the provision of a proper passbook from the Bank. There is therefore a need for greater support from the Bank in order to spread awareness and strengthen customer literacy.

*Mitigation Strategy: In order to prove the authenticity of his transactions, Jaiprakash often has to make extra trips to the Bank in order to ask for a proper statement which he can then show to his customers. He believes that a good way to build trust would be for Central Bank to hold more awareness and literacy camps in the village, and also to provide a passbook to all account holders. He believes that this will definitely help to build a greater sense of confidence amongst the customers. Greater support from the Bank in the village would also help to boost his own business in the village.*

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## **Challenge II. Convenience of linking Aadhar Cards**

Apart from making extra trips to the Bank in order to get a statement for his customers, Jaiprakash is also forced to make trips to the Bank in order to link customers' Aadhar cards to their accounts. The Bank is 16km away (one-way) and it is time-consuming and costly to commute by motorcycle every day. Central Bank of India has mandated that only Bank officials can authorise the linking of Aadhar cards to accounts. The Aadhar linkage also takes time as Bank officials are overloaded with work and therefore it delays account opening. The extra commute to the Bank in order to get the work done is therefore a challenge for Jaiprakash and interferes with his day-to-day transacting capability.

## **Challenge III: Issues with the server**

Jaiprakash often faces problems with the main server. He has trouble accessing accounts that have been opened and have remained inactive for an extended period of time. This in turn leads to delays in transactions for those customers that wish to withdraw or deposit money.

*Mitigation Strategy:* In order to prevent accounts from remaining inactive, Jaiprakash encourages his customers to make transactions as low as Rs 1 per month. This would ensure that there is at least a minimal level of activity in the account. The recent attempt to link Aadhar cards to accounts has also helped to reduce the level of account inactivity.

## **Driving factors for success**

### **Success Factor I. Prior experience and network**

Before getting this job as a Business Correspondent, Jaiprakash had worked very closely with SHGs in the same village and therefore knew a lot about micro-finance. He was able to utilise his knowledge of both micro-finance and committee mobilisation at the rural level in his work as a Business Correspondent. He had also built up a strong reputation as a committee mobiliser with SHGs, which have helped him to build a strong customer-base and a reputation as a trustworthy financial service provider. Jaiprakash's wife is also part of the Mahila Mandal, and he has the potential to make the most of that network-base to expand his own services.

### **Success Factor II. Diversified financial services**

Apart from basic transactions, Jaiprakash also does Aadhar card linking, provides insurance services, and credit recovery services for the Bank. This ensures that there are more varied services provided over and above basic account openings, deposits, and withdrawals. However, there is still scope for him to expand even more if the Bank permits him to offer RD and FD services to his customers.

### **Success Factor III. Good connectivity**

Apart from the server problems that Jaiprakash faces as a result of account inactivity, there have been no issues with overall device connectivity. Since all of his work is online through the PoS device, network connectivity is crucial. Good connectivity has therefore allowed for transactions to run smoothly.

### **Success Factor IV. Varied sources of income**

Apart from working as a Business Correspondent, Jaiprakash has other sources of income as well. This has given him the opportunity to expand his current business with ease. For instance, he is using the money that he has earned from all sources to strengthen his financial base and move operations to a proper office. His income has also allowed him to send both his children to good schools; his son is in Class 11 at Jawahar Navodaya Vidyalaya, and his daughter has recently enrolled in a government school.

In order to make the model more sustainable, however, Jaiprakash feels that the Bank should increase salaries of Business Correspondents. Doing so would stop them from looking for alternative sources of income to maintain a decent standard of living, and allow them to invest in the future of their own business as well. The Business Correspondent work will then become full-time work instead of part-time work, and therefore will be more efficient in the long-run.



## Case Study #11 -

<b>Name of the CSP</b>	<b>: Kanhaiya Lal Dhaneshwar</b>
<b>District</b>	<b>: Balaghat</b>
<b>Name of Corporate BC</b>	<b>: FINO</b>
<b>Associated Bank</b>	<b>: Central Bank of India</b>

*Kanhaiya Lal Dhaneshwar is a resident of Bagholi in Balaghat, Madhya Pradesh. He lives in Bagholi itself with his wife and two children, and offers banking services to customers on behalf of Central Bank of India. Apart from working as a Business Correspondent with FINO, Kanhaiya Lal works on the verification of muster rolls for the MNREGA scheme. He uses the Panchayat Bhavan as a central location to conduct both business activities. With the help of the Panchayat, Kanhaiya Lal has built up a solid reputation and a strong local network in Bagholi.*

### The growth trajectory – *shifting to sustainability*

After completing his Class 12 exams, Kanhaiya Lal was unemployed for a few years. He would help his family with work on the farm occasionally, but had not managed to find a more stable job given his qualifications. In 2006, Kanhaiya Lal found out about a job with the village Panchayat. The MNREGA scheme had just been launched, and the mandate stated that the Gram Panchayat would serve as the main implementing agency. The Panchayat would decide on the payments that needed to be distributed to the people in the village. The resulting job opportunity therefore entailed supervising and verifying muster rolls for distributions under the MNREGA scheme. Kanhaiya Lal was first required to pass an examination before even being considered for the job. He managed to secure the job with ease, and was stationed at the Panchayat Bhavan in Bagholi itself. Through the MNREGA work, Kanhaiya Lal began to build a strong reputation with the Panchayat in Bagholi and with the people in the village as well. He developed a network of contacts including someone who worked with Central Bank of India. It was through him that Kanhaiya Lal found out about the opportunities available as a Business Correspondent (in 2012). He applied for the job through FINO, and was given an offer in 15-20 days. After putting down a security deposit of Rs 15,000, FINO provided him with a PoS device and mobile. He was provided with a banner from Central Bank of India as well, and began operations from a small room in the Panchayat Bhavan in Bagholi and in Chichgaon as well. He still does the MNREGA work side-by-side, but says the MNREGA work has greatly reduced over the past few years and so has the payment transfer to Bank accounts.

### Business Economics & Viability

Kanhaiya Lal works out of two Panchayat Bhavans – one in Bagholi (where he lives), and the other in the village of Chichgaon. For 3 days in a week, Kanhaiya Lal sits at the Panchayat Bhavan in Bagholi. He plans out his week well in advance, and informs customers in each village accordingly. Kanhaiya Lal arrives at the Panchayat Bhavan at 10am, before which he deals with any work that needs to be done on his farm. At about 11 am, he leaves for

the Bank in order to link customers' Aadhar cards to their accounts and for the submission of any forms. Since the Bank is only 5km away from the Panchayat Bhavan in Bagholi, travel is not time-consuming. He visits the Bank every day, and often works up to 5pm before returning home.

Since he started working as a Business Correspondent, Kanhaiya Lal has opened over 1,600 accounts. The vast majority of accounts were opened before the PMJDY scheme was announced. He only managed to open another 32 accounts after August 2014, and has now stopped opening accounts entirely. When the account openings

- *1,600+ accounts opened of which 500 transact actively.*
- *Clients include 50% males and 50% females*
- *Withdrawals of about Rs 21,000 a day.*
- *Monthly transactions amounting to a total of Rs 1 lakh- Rs 1.5 lakh.*
- *8-10 transactions a day*

started initially, Kanhaiya Lal realised that there was inactivity in a large number of accounts; only 500 accounts were being used frequently. To encourage people to transact more and to minimise the number of zero-balance accounts, Kanhaiya Lal began to educate his customers. He convinced them to maintain a balance of at least Rs 100 in each account. The number of zero balance accounts has therefore fallen significantly. There are about 200 elderly customers who come to withdraw their pensions, and this accounts for a large portion of their transactions. Kanhaiya Lal has recently begun conducting loan recoveries as well.

On an average Kanhaiya Lal earns between Rs 1,000 and Rs 1,200 through his work as a Business Correspondent. His earning varies a great deal depending upon the season and the number of transactions taking place. He also earns an income through his work on the farm, which comes to a total of about Rs 20,000-Rs 25,000 in six months.

## Challenges faced and mitigation strategies

### Challenge I. Long cash withdrawal process

Kanhaiya Lal states that the process of collecting cash for transactions from the Bank is extremely tedious and time-consuming. He cannot withdraw cash from the Bank himself, and has to wait for a number of authorisations and clearances to take place first. He finds that this takes away time that he could otherwise use to conduct more transactions and deal with most customers in a day.

### Challenge II. Delay in opening accounts as a result of PoS device use

There have also been frequent delays in the account opening process which happens as a result of using the PoS device. Kanhaiya Lal claims that the process takes much longer when using a device as compared to when it is done at a kiosk using a laptop. He points this out as a limitation of using the PoS device.

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### **Challenge III. Limited customer-base**

Since Kanhaiya Lal has only been allotted a limited area to cover and account openings have been closed, there is a limited opportunity to reach out to more customers and to expand the customer-base. Account openings have now stopped, and therefore the earning potential for each account opened has fallen. Opportunities to open new accounts will only arise once the children in the villages grow up.

*Mitigation Strategy:* Kanhaiya Lal initially received a large portion of his commission from account openings. He is now focusing his efforts on providing other services instead. When transactions are low, he focuses his efforts on services like Aadhar-card linkages. There is still scope for him to expand, should he choose to offer services like RDs and FDs.

### **Driving factors for success**

#### **Success Factor I. Strong work ethic and organisation skills**

Kanhaiya Lal works extremely hard to cater to the needs of the customers in both villages – he works seven days a week, without any holidays. He plans his travel in advance and also makes sure to notify his customers about when he will be stationed at the Panchayat in Bagholi, and when he will be stationed at the Panchayat in Chichgaon. This allows his customers to make their own plans as well. He has a reputation of being extremely reliable and has managed to build up a sense of trust amongst his customer. For instance, he has not faced any issue of customers questioning him or asking for a Bank passbook in order to verify the authenticity of his work.

#### **Success Factor II. Efforts to educate customers**

When Kanhaiya Lal started opening accounts initially, there were a large number of accounts that were inactive. He therefore took the initiative to educate customers about the benefits of maintaining a minimum balance in their accounts and making small transactions. Most of his customers now maintain a minimum balance of Rs 100 at all times. When he began working as a Business Correspondent, he had also worked hard to convince customers to open accounts with him instead of at the Bank. He continues to educate them about any new services or schemes that are introduced, and realises the importance of financial literacy in order to move forward.

#### **Success Factor III. Connections with the Panchayat**

Due to his connections and pre-existing job with the Panchayat, Kanhaiya Lal is extremely well-connected in both Bagholi and Chichgaon. Through both the MNREGA work and work as a Business Correspondent, he has been able to strengthen his relationship with the Panchayat even further. He has built up a good reputation with customers in both villages, and thereby a strong sense of trust as well. The Panchayat assists him in case he required any help and he feels that this support system has given him a lot of confidence.

#### **Success Factor IV. Support from FINO**

Kanhaiya Lal is extremely happy with the support that he gets not only from the Panchayat, but from FINO as well. He feels that the trainings have been helpful, and that he can approach FINO with any concerns that he has – either with the device or otherwise. For instance, he faced some problems with his PoS device in the past, and FINO was extremely efficient in responding to him. There was no delay in resolving the issue. He therefore feels confident about the work that he does and is motivated to continue providing banking services on behalf of FINO.

#### **Success Factor V. Proximity to the Bank**

Kanhaiya Lal works out of the Panchayat which is located only 5km from the Bank. It is therefore both easy and convenient for him to make frequent trips to the Bank every day on his motorcycle. His travel costs are also minimised, and consist mainly of his fuel expenses for trips between Bagholi and Chichgaon.

## 11. Case Studies of *not so successful BCs*

### Case Study #1 -

<b>Name of the CSP</b>	: <b>Anil Jain</b> (*Name has been changed)
<b>District</b>	: <b>Jabalpur</b> (*Name has been changed)
<b>Name of Corporate BC</b>	: *Name has been withheld
<b>Associated Bank</b>	: *Name has been withheld

*Anil Jain is a resident of Jabalpur in Madhya Pradesh, where he lives with his parents, his brother, and his wife. He offers banking services to customers on behalf of a prominent Bank in India. Anil opened up his own kiosk along with his cousin in 2010. Since their kiosk is located in a populated area in the centre of the city, there is no shortage of customers that come in every day. Anil has made no effort to reach out to customers himself in order to increase his customer-base or to spread awareness. He therefore relies only on those customers that come in to the kiosk themselves.*

### The growth trajectory – *shifting to sustainability*

Anil finished both his schooling and his Bachelor's degree in Jabalpur, before moving to Bhopal in order to look for a job. Shortly after his arrival in Bhopal, he managed to find a job with Bharti Airtel in their Customer Care unit. Anil worked with Airtel for the next 9 years. In his ninth year of work, he happened to meet someone who was working with a Corporate BC in Bhopal as a Business Correspondent. Anil found the overall idea extremely appealing, and was interested to know more about the opportunities that would open up for him with such a job. At that time, Anil had also started looking at the possibility of moving back to Jabalpur as he wanted to move home to be closer to his family. After moving back, he contacted the same Corporate BC in order to find out more about the job. The Corporate BC happened to be looking for a Business Correspondent at that time, as there had been a recent drop-out. Anil expressed an interest in the job, and was offered the job immediately. He was required to put down an initial security deposit, and then rented out a kiosk for Rs 5,000 a month. The kiosk is very close to where he lives with his family. He also purchased a laptop for Rs 20,000, and now pays Rs 800 a month on electricity and Rs 1,000 for the broadband connection. The remaining items were provided free of cost by the Corporate BC. Anil and his cousin both work out of the same kiosk now, and have divided the work between themselves. Anil is in charge of all the necessary authorisations, while his cousin looks after the remainder of the work.

## Business Economics & Viability

Anil opens up his kiosk at about 9am every day. He takes one hour to set everything up and get ready before the first customer arrives, which is at 10am. Anil serves customers within a 4km radius of his kiosk. Since it is an urban area and most people go to work in the mornings, his work only picks up in the latter half of the day.

From the time that he began operating, Anil's highest commission has come from customers' deposits. The ratio of deposits to withdrawals in a day is as high as 15 deposits for every 1 withdrawal. This is mainly because of the remittances that those working in the cities send back to their

- 1,000 accounts opened in 2 years of operation
- Higher percentage of women compared to men (60%-40%)
- Ratio of deposits: withdrawals is 15:1.
- Deposits in a day can go up to about Rs 1.5 lakh

families in the villages. Customers' deposits in a day can go up to Rs 1.5 lakh, and Anil earns a commission of Rs 0.80 for every deposit that takes place. He began by offering his customers deposit and withdrawal services and has not made any effort to diversify ever since. There are only a few customer that come to him in order to withdraw their pensions; a maximum of 2 people per day. 60% of his customers are female. He initially opened accounts for customers on a daily basis, but this gradually began to slow down. He has opened only 1,000 accounts in the last 3 years, and states that the potential to reach out to more customers is low because of competition in the vicinity – there are 2 other kiosks operating in the same area. He does not have to travel to the Bank branch very often, and even when he does, it is located only 1km away from the kiosk. Anil and his cousin both sit at the kiosk until 6pm every day, and then wind up before leaving to go home at 7:30pm.

On an average Anil earns between Rs 15,000 and Rs 20,000 in a month. He used to earn between Rs 13,000-14,000 at his previous job with Airtel and is therefore much happier with the payoffs from this job.

## Challenges faced and mitigation strategies

### Challenge I. High level of competition in the area

Anil states that there are 2 other kiosks that also operate in the area that he serves. Customers therefore have the option of going to any of the other kiosks, and he has a limited customer-base that he can reach out to as a result. Customer retention is therefore a challenge.

## Scope to increase sustainability of services

### Scope I. Efforts to increase customer-base

In order to make his work as a Business Correspondent more sustainable, Anil would need to take the initiative to reach out to customers and convince them to utilise his banking services over his competitors. At the moment, he only operates out of his kiosk and caters to the customers that come in themselves. He has made no effort to

spread awareness or increase literacy on his own by reaching out to more customers. A more pro-active approach would therefore allow him to improve his performance.

### **Scope II. Diversifying financial services**

Since he began working as a Business Correspondent, Anil has been offering only basic withdrawal and deposit services to his customers. He states that this has always been the main service that his customers avail of. He has not yet considered expanding to offer insurance services or any other government schemes. Diversifying services will therefore be extremely beneficial for him in the long run.

### **Scope III. Utilisation of both resources**

Since both Anil and his cousin work at the kiosk, there is still potential to utilise both resources to the fullest. For instance in order to expand the customer base and reach out to more people, the efforts of two people combined will be much more effective than if there was just one person handling everything.

Anil already has a kiosk of his own which is located in a busy area of the city. In order to make his business more sustainable, he would need to make more of an effort to reach out and expand his customer base. He has already established himself as a reliable Business Correspondent, and often has customers coming in simply to make enquiries. He has therefore built up a trusting relationship with his customers. He would now need to look at expanding services so that he can make the most of this existing customer-base.

## Case Study #2 -

<b>Name of the CSP</b>	: <b>Ravi Patel</b> (*Name has been changed)
<b>District</b>	: <b>Ujjain</b> (*Name has been changed)
<b>Name of Corporate BC</b>	: *Name has been withheld
<b>Associated Bank</b>	: *Name has been withheld

*Ravi is a resident of a small village in Madhya Pradesh, where he lives with his parents, his younger brother, his wife and two children. He offers banking services to customers on behalf of a prominent Bank in India. Ravi started working as a Business Correspondent in 2012. He owns a small kirana shop in a central area of the village and uses this shop to carry out his Business Correspondent work as well. Ravi started working as a Business Correspondent because he wanted to help his community in some way. He thought that this would be a good way to do so. Over the years, however, Ravi has not made full use of the customer-base available to him. There is definite potential for him to improve upon his performance and make his work more sustainable.*

### The growth trajectory – *shifting to sustainability*

Before he began working as a Business Correspondent, Ravi worked part-time on a farm. His parents both worked on the same farm, and he would help out as much as possible. He then took the decision to open up his own shop. Ravi made the initial investment for the shop himself, and slowly began to build up a reputation through interactions with people in the village. Since his family is well-known and have a strong reputation in the village, it was easy for him to attract customers. In 2012, Ravi heard out about the opportunity to work as a Business Correspondent with a reputed Corporate BC. This information reached him through his local network. He therefore applied for the job and started working for the Corporate BC in 2012, using his pre-existing shop as a base. He was required to provide a security deposit amount in advance, and was then given a portable device. Over the past 3 years, Ravi has continued with his previous work at the shop. He has simply added the Business Correspondent work to his schedule. Despite the earning potential as a Business Correspondent, it is mainly Ravi's income from selling provisions in the kirana shop that has allowed him to be able to provide for his family. He has managed to send his eldest son to study in an English medium school. His daughter has also been enrolled in a government school in the village itself and most of her costs are already covered – she gets a stipend which arrives in the Bank account which he opened up for her, and she has also been provided with a bicycle. His only other expense is on fuel for his motorcycle, which comes to Rs 500 per month.



## Business Economics & Viability

Ravi begins his day by assisting his parents with work on the farm and with any errands that need to be run at home. As soon as he finishes with that, he leaves to go to the shop. Despite the fact that he sits at his shop in the morning, Ravi only starts his banking services work after 2pm. This is mainly because people are busy with work during the day

- 400 accounts opened in 3 years of operation
- Higher percentage of women compared to men
- Deposits of about Rs 600 a day.
- Transaction amounts between Rs 3,000 and Rs 5,000 per month.
- 8-10 transactions a day
- Commission earned per month is Rs 1,000.

and can only take out the time for Bank work in the afternoons and evenings. Therefore, only a handful of customers arrive in the morning.

Ravi has managed to open only 400 Bank accounts since he began working as a Business Correspondent. These account openings have all happened between 2012 and 2014, before the PMJDY scheme was announced. Ravi initially worked only out of his shop, and did not make any effort to spread awareness or increase financial literacy in the village. He would therefore only reach out to those customers that came in to his shop. There were a greater number of withdrawals than deposits that would take place in a day, and also a larger percentage of women that came in compared to men. Although he began by offering only withdrawal and deposit services, Ravi slowly expanded to include insurance work as well. 75% of his accounts are now insurance-linked. Ravi also makes a trip to the Bank once in 3 days in order to get customers' Aadhar cards linked to the accounts, as this can only be done at the Bank. The village that he lives in has about 1,300-1,400 residents and a vast majority of them still do not have a Bank account. Looking at the statistics, Ravi acknowledges that there is great potential to open more accounts. He however has not made any extra effort to reach out to them.

On an average, Ravi earns about Rs 1,000 a month from his work as a Business Correspondent. He claims that his commission used to be much higher, especially at the time when he was opening accounts. The highest commission that he earned was Rs 2,000, though this figure has fallen significantly in the recent past. He also has two other sources of income – his work on the farm with his parents, and his kirana shop.

## Challenges faced and mitigation strategies

### Challenge I. Bank support in spreading literacy

Ravi feels that Bank support is crucial to spreading awareness in the village. This would help him to reach out to more people. Also, since the word of a Bank official is more valuable than his own, he feels that this would build a greater sense of trust amongst the people. He therefore hope that the Bank will set up more camps in the village in the future. This would definitely give his business a boost.

### **Challenge II. Issues with the PoS Device**

Ravi has had numerous issues with his PoS device in the past and feels that this has restricted his ability to both open accounts and conduct transactions.

### **Challenge III. Limitations on Aadhar linking due to Bank staff**

Ravi has also faced a lot of trouble linking people's Aadhar cards to their Bank accounts. Since Business Correspondents are unable to do the actual linking themselves, Ravi has to travel to the Bank to submit the Aadhar documents. The Bank is often unable to provide immediate service if there is nobody to do it that day, and a number of his trips therefore end up being a waste. Ravi feels that the number of transactions that he can conduct as a result is much lower due to these delays. The Bank is far from his shop, and a lot of time is lost commuting between the two locations.

## **Scope to increase sustainability of services**

### **Scope I. Efforts to increase customer-base**

In order to make his work as a Business Correspondent more sustainable, Ravi would need to take the initiative to reach out to all those people who do not already have Bank accounts. Since he lives in a village with between 1,300 and 1,400 people, and only 400 accounts have been opened by him so far, there is still scope to expand his customer-base. This in turn would help him earn a higher commission for each additional account that is opened.

### **Scope II. Diversifying financial services**

At the moment, Ravi offers only insurance and Aadhar-linking services over and above basic transactional services like deposits and withdrawals. Account openings have also come to a standstill. In order to expand, Ravi would need to consider expanding the number of services that he offers to his customers. For instance, he does not offer RD and FD services and this is an avenue that he could consider exploring in consultation with the concerned Bank and Corporate BC.

Ravi already has a good reputation and numerous other factors that are working to his advantage – good connectivity, support from the Corporate BC, and a strong infrastructural base. He would be able to improve the service provided with greater support from the Bank, through working closely with the Corporate BC, and by taking a greater initiative on his own.

### Case Study #3 -

<b>Name of the CSP</b>	: <b>Suresh Singh</b> (*Name has been changed)
<b>District</b>	: <b>Jabalpur</b> (*Name has been changed)
<b>Name of Corporate BC</b>	: *Name has been withheld
<b>Associated Bank</b>	: *Name has been withheld

*Suresh Singh is a resident of Jabalpur, Madhya Pradesh, where he lives with his wife and two children. He started working as a Business Correspondent for a Corporate BC in June 2014, and offers services to customers on behalf of a prominent Bank in India. Suresh has set up a small kiosk for himself, and has also built up a good reputation for himself over the past one year. Although he has a strong customer-base, there is still room to enhance his overall performance.*

### The growth trajectory – shifting to sustainability

Suresh Singh worked with a mobile service provider in Jabalpur for a few years before making the move to become a Business Correspondent. After a few years of being unemployed following the completion of his education, Suresh got the opportunity to work as a SIM-Card distributor for Idea. His job was field-based and involved a great deal of travelling every day. Although he enjoyed his work, Suresh eventually began to find it extremely tiring. He had to work extremely long hours and realised that he would not be able to keep up with these demands in the long-run. He therefore began to look for alternative job options. It was through his network in the village that he found out about the opportunity of work as a Business Correspondent with a reputed Corporate BC. He was interested to know more about it and was impressed by what he heard. He therefore opened up a small kiosk for himself in 2014 which is where he now sits. Suresh had thought of going to the Panchayat and asking for a place to sit there, but eventually decided that he was better off at a kiosk. Those working at the Panchayat cannot work once it is dark as the Panchayat does not have any electricity connection. Suresh managed to make his own arrangements to charge his laptop when required using his neighbour's inverter. He pays a rent of Rs 1,200 for the shop, Rs 350 for the internet dongle, and Rs 400 for the printer cartridge (per month). The total initial investment that he had made for all infrastructural items in the shop was Rs 15,000, excluding his laptop which he bought for Rs 25,000.

### Business Economics & Viability

Suresh arrives at his kiosk at 9am every day, and deals with customers until 8 in the evening. He lives close by to the kiosk and his daily commute is therefore not very long. Customers come to his kiosk throughout the day, with the largest percentage coming in the afternoon.

Before PMJDY began in August 2014, Suresh was involved in basic financial inclusion work. He started operations with basic account openings, and has managed to open 1,735 accounts in total over the past one year.

Of these, 650 were for women, 350 for children, and 700 for men. Before April, account openings were absolutely free. Now there is a charge of Rs 20 for every new account opening. Since he began work, Suresh has been focusing solely on account openings and has still not considered diversifying services to include RDs or FDs. His customers come to him mainly for basic deposit and withdrawal purposes. For every withdrawal that takes place,

- *1,735 accounts opened so far.*
- *Withdrawals between Rs 10,000-Rs 20,000 in a day.*
- *Greater number of withdrawals compared to deposits in a month.*
- *Withdrawal commission of between Rs 2.5 and Rs 10 per transaction.*
- *Deposit commission of between Rs 2 and Rs 6 per transaction.*

the commission that he earns can be anywhere between Rs 2.5 and Rs 10 (depending upon the amount that is withdrawn) - there is no limit on the amount that can be withdrawn. For every amount that is deposited, Suresh earns a commission of between Rs 2 and Rs 6. On an average, there are a greater number of withdrawals that take place compared to deposits in a month. Apart from withdrawing their savings, pensions, and remittances, a large number of customers also come to Suresh in order to withdraw subsidy amounts that come directly into their accounts – for instance the gas subsidy. RuPay card usage is less because most customer either do not have a RuPay card or have not managed to collect the PIN required in order to use it (which needs to be collected from the Bank). 1,400 customers have been issued the card and only 300 have received their PIN so far. Suresh has also opened a large number of student accounts. Stipends for purchasing uniforms, books, and bicycles are deposited in these accounts, and students come regularly to either check their accounts balances or to withdraw money.

Suresh does not get a fixed salary and his earnings therefore depend on the commission that he earns through transactions. On an average, he earns Rs 2,000 a month. He needs to conduct 25 transactions in order to earn that minimum amount of Rs 2,000. Apart from working as a Business Correspondent, Suresh also works part-time on a farm. This helps him to make ends meet as his income from work as a Business Correspondent is often not enough to cover all expenses.

## Challenges faced and mitigation strategies

### Challenge I. Frequency of Server overloads

Suresh finds that the server often works very slowly. Although there is no problem with internet connectivity, server overloads are frequent. This therefore restricts the number of transactions that Suresh can conduct in a day. For instance, at the start of the academic sessions in school, people come in to open accounts for their children. But with problems in the server, a short task like this can often take up to one hour. Suresh therefore ends up wasting a lot of time every day while also making other customers wait.

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## **Challenge II. Need for Passbook**

Suresh finds that trust is definitely an issue with a majority of his customers. Although he provides each of his customers with a receipt for every transaction conducted, he feels that the issuing of a Passbook by the Bank will be the best solution. This will help to instil a strong sense of trust among his customers.

## **Scope to increase sustainability of services**

### **Scope I. Efforts to increase customer-base**

Although Suresh has built up a strong customer-base and a solid reputation over the past one year, he has made no effort to increase his customer-base. He has not made any attempt to create more awareness in the village in order to reach out to more customers or to make customers aware of the benefits of opening accounts. He claims that there is still a high percentage of people who have not opened accounts yet in the area where he operates. There is therefore potential to gain more customers which he has not made use of yet.

### **Scope II. Diversifying financial services**

Over the past one year, Suresh has only offered his customers basic services like deposits and withdrawals. He has not thought of expanding to include services like RDs, FDs, and insurance services. Making a move to include such services would allow him to earn a commission from a larger number of activities, and also provide his existing customers with more services.

Suresh earlier offered his customers printing services as well, using the printer that he had purchased himself. He then realised that people thought he was asking for money in order to get basic Bank work done, which should otherwise be free of cost. To avoid any more confusion, he decided to stop mixing the two and devote his time to offering only banking services. Therefore if Suresh were to diversify and expand services to offering more banking services instead, this would be less confusing for his customers and would also allow him to earn a higher commission.

Suresh is well-known in the area where he operates. He has also managed to build up a good reputation for himself; his customer are so comfortable with the idea of visiting his kiosk that they often stay on for hours. Suresh's kiosk is therefore filled with people throughout the day. He gets good support from both the Bank and the Corporate BC, and already has a well-established base. He would need to organise financial awareness camps with the Bank officials as this would help him to gain customer confidence for investing in other products (financial).

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## ***Appendix 1 A - List of Banks selected in the sample***

<b>S. No.</b>	<b>Name</b>	<b>Type of Bank</b>	<b>No. of BCs appointed<sup>37</sup></b>
1.	Allahabad Bank	Public	282
2.	Bank of India	Public	787
3.	Central Bank of India	Public	1,016
4.	Punjab National Bank	Public	409
5.	State Bank of India	Public	2,842
6.	Union Bank of India	Public	462
7.	Bank of Baroda	Public	183
8.	Canara Bank	Public	64
9.	UCO Bank	Public	176
10.	ICICI Bank	Private	198
11.	HDFC Bank	Private	48
12.	Axis Bank	Private	27
13.	Madhya Bharat KGB	RRB	1,187
14.	Narmada Jhabua Gramin Bank	RRB	700
15.	Central Madhya Pradesh Gramin Bank	RRB	

<sup>37</sup> Source: SLBC of State of Madhya Pradesh, as on November 2014



# Appendix 1 B - Details of indicators for analytical framework

## 1. Accounts and Clientele

- a. *Number of Bank accounts/customers*
- b. *Proportion of account holders who have been issued RuPay card (PMJDY)*
- c. *Proportion of account holders who have been issued password/PIN for RuPay card (PMJDY)*

## 2. Coverage

- a. *Number of villages covered*

## 3. Transactions

- a. *Volume of transactions*
- b. *Number of transactions per customer per month*
- c. *Proportion of account holders who used RuPay card for financial transaction (PMJDY)*
- d. *Average value of each transaction by type (deposit and withdrawal)*
- e. *Number of transactions in a month by type (deposit and withdrawal)*
- f. *Proportion of transaction by type of account (social security schemes, personal savings, scholarships, gas subsidies, etc.)*

## 4. Institutional Capacity

- a. *Number of BCAs Proportion of female BCAs*
- b. *Presence of internal / external dispute resolution mechanism*
- c. *Presence of an internal technical assistance team*
- d. *Proportion of total accounts Aadhar seeded by BCAs*
- e. *Provision to provide uninterrupted services when a BC is not well/not available*

## 5. Technology Usage and Support

- a. *Number of handheld devices*
- b. *Proportion of handheld devices which are RuPay Card enabled (PMJDY)*
- c. *Proportion of BCAs who made an initial investment in technology*
- d. *Proportion of BCAs proficient in using technology*
- e. *Frequency of connectivity issue*

## 6. Financial Literacy and Capacity Building

- a. *Efforts by Corporate BCs for community mobilisation/financial literacy to CSPs*
- b. *Efforts by BCAs for community mobilisation/financial literacy to clients*

- c. *Efforts for imparting the benefits of savings among clients by BCAs*
- d. *Frequency of trainings conducted on products/financial literacy*
- e. *Frequency of trainings conducted on soft skills for BCAs*
- f. *Presence of a standard module for trainings on financial literacy to BCs*
- g. *Presence of a training calendar for the year*

**7. Viability and Sustainability**

- a. *Proportion of BCAs who received timely salary and commissions*
- b. *Proportion of BCAs who received incentives from Banks other than regular commissions*
- c. *Attitude of Bank officials at the brick and mortar branch towards financial inclusion*
- d. *Proportion of new customers by referrals*
- e. *Presence of guidelines for determining BC commissions*
- f. *Proportion of BCAs from local communities*
- g. *Communication about calculation of commissions to BCs*
- h. *Communication about target setting to BCs*

# Appendix 1 C - Questionnaire for Business Correspondents

## Introduction:

Hello, my name is..... and I work for PricewaterhouseCoopers Pvt. Ltd., India (PwC), which is a consulting and research organization. We conduct studies among people to understand their views, opinions and suggestions regarding various issues and at present, we are interviewing people here in \_\_\_\_\_ (name of district, or organization) in order to understand the present status of financial inclusion in the state of Madhya Pradesh channelized through the Business Correspondent Model. We are trying to understand the role played by the business correspondents in enhancing the scope of banking services to the poor and to have a deeper understanding of the model in the state of Madhya Pradesh. I would like you to give me your frank and honest opinion.

We are conducting this study for Small Industries Development Bank of India (SIDBI), which is an apex Development Financial Institution promoted by the Government of India and is involved in implementing several financial inclusion programmes in several parts of the India. Your inputs would be extremely valuable to this discussion. We would also like to tell you that your name and the data would be kept confidential and will be used only for research purposes. We would not be quoting you anywhere. If you are conformable, let us begin the discussion.

Cover Sheet				
Q. No.	Question	Response		Skips
1.	Name of the District and Code <i>Please refer the code list provided</i>		<input type="text"/>	
2.	Name of the Village/City			
3.	What kind of location is this?	Rural		1
		Urban		2
		Semi-urban		3
4.	Kind of Business Correspondent (BC) <i>Please fill this at the end of interview</i>	Corporate BC		1
		Government BC (appointed by the Bank)		2
		Associated with an NGO		3
		Others (specify)		9
5.	Is this the respondent's first job?	Yes		1
		No		2
6.	Is the respondent doing any other job/has any other source of income other than being a BC at present?	Yes		1
		No		2
7.	<b>Ask if coded 1 in Q.6</b> What is the other job the respondent is involved in other than being a BC?	Grocery Seller/Ration Depot (includes fair price shop also)		1
		Shop owner other than ration shop		2
		Works at/owns a petrol pump		3

		Agricultural labour	4
		Non-agricultural labour	5
		Dairy Business/Poultry business	6
		Runs an eating joint/local hotel	7
		Teacher	8
		Others (specify)	9
8.	What is the mode of operation of the BC?	A stationary kiosk	1
		A moving POS device	2
		Others (specify)	9

### Block -o INTERVIEW DETAILS

Q. No.	Question	Response			Skips
8.	Date of interview	DD	MM	YY	
				2015	
9.	A. Time interview started (HR MIN AM/PM) <input type="text"/> <input type="text"/> <input type="text"/>	B. Time interview ended (HR MIN AM/PM) <input type="text"/> <input type="text"/> <input type="text"/>			

### Block-1 Respondent Details

10.	Name of the respondent			
11.	Gender of the respondent <i>Observe and code, DO NOT ASK</i>	Male	1	
		Female	2	
12.	Age of the respondent (in completed years)	_____ years		
13.	Religion of the respondent	Hindu	1	
		Muslim	2	
		Buddhist	3	
		Sikh	4	
		Christian	5	
		Jain	6	
		Others	7	
14.	Caste of the respondent	Scheduled Tribe (ST)	1	
		Scheduled Caste (SC)	2	
		Other Backward Caste(OBC)	3	
		General	4	
		Others (Specify)	9	
15.	What is the highest level of formal education you have completed?	Primary (till class 5 <sup>th</sup> )	1	
		Middle School (till class 8 <sup>th</sup> )	2	
		Secondary (till class 10 <sup>th</sup> )	3	
		Senior Secondary (till class 12 <sup>th</sup> )	4	
		Graduate	5	

		Post Graduate and above	6	
		Diploma/other vocational courses	7	
		Illiterate	8	
16.	Are you currently studying?	Yes	1	
		No	2	
17.	What is your current marital status?	Married	1	
		Unmarried	2	
		Divorced	3	
		Separated	4	
		Others (specify)	9	
18.	Since when have you been living in this district?	Less than 1 Year	1	
		1-3 Years	2	
		3-5 Years	3	
		6-10 Years	4	
		More than 10 Years	5	
		From the same state but from another district	6	
		From a different state than Madhya Pradesh	7	
19.	Do you live in a joint family or a nuclear family?	Nuclear family	1	
		Joint Family	2	
		Live alone	3	
20.	How many members are there in your family and how many are living with you right now? How many family members are dependent on you ( <i>it means all those who are served by your income</i> )	Number of members in the family	<input type="text"/> <input type="text"/>	
		Number of family members living with the respondent currently <i>Mention 'oo' if respondent lives alone</i>	<input type="text"/> <input type="text"/>	
		Number of family members dependent on the respondent	<input type="text"/> <input type="text"/>	
21.	Of all the family members in your family, how many of them are currently earning?	<input type="text"/> <input type="text"/>		
22.	Are you the chief wage earner (CWE) of your family? <b><i>CWE may not be head of the household or the eldest person. He is the one who earns maximum for the family</i></b>	Yes	1	
		No	2	

23.	<b>Ask if coded 2 in Q.22</b> What is the average monthly income of the CWE (in Rs)?	Rs _____																																				
<b>Block-2: History of the respondent being a Business Correspondent and details of income</b>																																						
24.	How long have you been working as a Business Correspondent?  <i>Record in years and months</i>	<input type="text"/> <input type="text"/> years <input type="text"/> <input type="text"/> months																																				
25.	How many banks/corporate BCs have you been associated for a Business Correspondent till now? Please tell me the name of the current organization you are associated with?	<input type="text"/> <input type="text"/>																																				
<b>Name of the current organization:</b>																																						
26.	Did you start working as a Business Correspondent after PMJDY?	<table border="1"> <tr> <td>Yes, I first started with PMJDY</td> <td>1</td> </tr> <tr> <td>No, I was working as BC before PMJDY as well</td> <td>2</td> </tr> </table>	Yes, I first started with PMJDY	1	No, I was working as BC before PMJDY as well	2																																
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No, I was working as BC before PMJDY as well	2																																					
27.	Are you currently working under PMJDY only?	<table border="1"> <tr> <td>Yes, under PMJDY only</td> <td>1</td> </tr> <tr> <td>No, under a different scheme</td> <td>2</td> </tr> <tr> <td>Under PMJDY and a different scheme both</td> <td>3</td> </tr> </table>	Yes, under PMJDY only	1	No, under a different scheme	2	Under PMJDY and a different scheme both	3																														
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No, under a different scheme	2																																					
Under PMJDY and a different scheme both	3																																					
28.	Is the current organization that you are associated with is a bank or a private organization?	<table border="1"> <tr> <td>A private bank</td> <td>1</td> </tr> <tr> <td>A public sector bank</td> <td>2</td> </tr> <tr> <td>NGO/SHG,etc.</td> <td>3</td> </tr> <tr> <td>A private organization/Corporate BC</td> <td>4</td> </tr> <tr> <td>Don't know/Cannot Say</td> <td>9</td> </tr> </table>	A private bank	1	A public sector bank	2	NGO/SHG,etc.	3	A private organization/Corporate BC	4	Don't know/Cannot Say	9																										
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Don't know/Cannot Say	9																																					
29.	How did you get to know about the Business Correspondent opportunity under PMJDY?  <b>Circle the MOST appropriate answer</b>	<table border="1"> <tr> <td>Sarpanch/Panchayat Member</td> <td>1</td> </tr> <tr> <td>Municipal Committee/Corporation Officials</td> <td>2</td> </tr> <tr> <td>Block Development and Panchayat officer</td> <td>3</td> </tr> <tr> <td>Friend/Relative/Neighbors</td> <td>4</td> </tr> <tr> <td>Sarpanch/Panchayat Member</td> <td>5</td> </tr> <tr> <td>Municipal Committee/Corporation Officials</td> <td>6</td> </tr> <tr> <td>SHG member/NGO</td> <td>7</td> </tr> <tr> <td>Gram Sachiv</td> <td>8</td> </tr> <tr> <td>ASHA/Aaganwadi Worker</td> <td>9</td> </tr> <tr> <td>MLA/MA/Ward Councilor</td> <td>10</td> </tr> <tr> <td>SHG member/NGO</td> <td>11</td> </tr> <tr> <td>Gram Sachiv</td> <td>12</td> </tr> <tr> <td>School Teacher</td> <td>13</td> </tr> <tr> <td>TV/Radio/newspaper</td> <td>14</td> </tr> <tr> <td>Online (Internet)</td> <td>15</td> </tr> <tr> <td>Grocery Seller/Ration Depot</td> <td>16</td> </tr> <tr> <td>Though an event in my village done by the Government/bank/NGO</td> <td>17</td> </tr> <tr> <td>Others (specify)</td> <td>99</td> </tr> </table>	Sarpanch/Panchayat Member	1	Municipal Committee/Corporation Officials	2	Block Development and Panchayat officer	3	Friend/Relative/Neighbors	4	Sarpanch/Panchayat Member	5	Municipal Committee/Corporation Officials	6	SHG member/NGO	7	Gram Sachiv	8	ASHA/Aaganwadi Worker	9	MLA/MA/Ward Councilor	10	SHG member/NGO	11	Gram Sachiv	12	School Teacher	13	TV/Radio/newspaper	14	Online (Internet)	15	Grocery Seller/Ration Depot	16	Though an event in my village done by the Government/bank/NGO	17	Others (specify)	99
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Others (specify)	99																																					

<b>30.</b>	Why did you decide to join as a Business Correspondent in PMJDY?  <i>More than one response possible</i>	To earn extra income other than my current job/source of income	1	
		I liked the incentive structure and income opportunities	2	
		Did not wanted to go and settle in the city and wanted a job in and around the village	3	
		Have a strong influence in and around the village and thought will succeed in the job	4	
		Wanted to join banking industry	5	
		Wanted to have a good secure job with a bank	6	
		My friends/family recommended this job to me	7	
		Found this to be better than my previous job in terms of earning potential	8	
		No other job opportunity was available, so took this one	9	
		Others (specify)	10	
<b>31.</b>	What is your current monthly income from being a BC?	Rs _____		
<b>32.</b>	<i>Ask if coded 1 in Q6, i.e. if the respondent is doing some other work also than being a BC</i> What is your monthly income from any source other than a BC?	Rs _____		
		Do not wish to specify	9	
<b>33.</b>	What is the total average monthly income in your household from all sources, including you and any other person who is earning?	Rs _____		
		Do not wish to specify	9	
		Don't Know/Cannot Say	10	
<b>34.</b>	To better understand the structure of income that you receive as a BC, we would like to give you a situation. Let's suppose that your monthly income as a BC is Rs 10,000. What would be its split under different heads like fixed salary, TA/DA, travel allowance, incentives, etc.			
	<b>Heads</b>	<b>Amount (out of Rs 10,000)</b>		
<b>A</b>	Fixed salary	Rs. _____		
<b>B</b>	TA/DA	Rs. _____		
<b>C</b>	Travel Allowance	Rs. _____		

<b>D</b>	Incentives (new account opening)	Rs. _____	
<b>E</b>	Incentives (transactions)	Rs. _____	
<b>F</b>	Incentives (Rupay card issuance)	Rs. _____	
<b>G</b>	Incentives (Aadhar Card Seeding)	Rs. _____	
<b>H</b>	Others.....	Rs. _____	
<b>I</b>	Others.....	Rs. _____	
	<b>Total (please add from A to I and make sure it adds up to Rs 10,000)</b>	<b>Rs 10,000</b>	
<b>35.</b>	What is the incentive (in %age, Rs) that you receive per.....	Opening of a new account	<b>Rs.....</b>
		Sanctioning of a loan	_____%
		Transactions from a savings account	_____%
		Issuing a Rupay Card	<b>Rs.....</b>
		Seeding an Aadhar Card	<b>Rs.....</b>
<b>36.</b>	How are the payments/salary received?	In cash from bank/employer	1
		In cash from my sarpanch/any other middleman	2
		Deposited directly in the bank account	3
		Deposited directly at the post office	4
		Through cheque/demand draft	5
		Others (specify)	9
<b>37.</b>	How frequently do your incentives come?	Monthly	1
		Fortnightly	2
		Weekly	3
		Once in two months	4
		Never comes on time	5
<b>38.</b>	What is the average time you have to wait to receive your salary and incentives? <i>Please mention in days?</i>	<input type="text"/> <input type="text"/> <input type="text"/> days	
<b>39.</b>	Do you discuss in detail and are you always clear on how much total salary (fixed+incentives) should come every month?	Yes	1
		No	2



40.	Is the income that you are earning now is what you anticipated/were told in the beginning?	Yes	1	
		No	2	
		We were never told about that	3	
41.	Were you told that apart from incentives, you will also get a fixed salary?	Yes	1	
		No	2	
42.	How frequently does your fixed salary come?	Monthly	1	
		Fortnightly	2	
		Weekly	3	
		Once in two months	4	
		Never comes on time	5	
43.	Is the income in being a BC seasonal or is it that you get a fixed income throughout the year?	It varies throughout the year	1	
		It is more or less the same	2	
		It is constant throughout the year	3	
		Don't Know/cannot Say	9	
		No	2	
<b>Block-3: Operations as a Business Correspondent</b>				
44.	How many SSAs are covered by you presently?	<input type="text"/> <input type="text"/>		
45.	How many villages are come under these SSAs?	<input type="text"/> <input type="text"/>		
46.	How many families would be there in combined in all the locations covered by you?	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>		
47.	What is the average distance that you have to travel to visit your assigned villages? (in KMS)			
48.	What is the distance of the nearest bank from the territories that you serve? (in KMS)			
49.	Please tell me the total number of clients that you have at present (including all who have any kind of account-savings, loans, etc.) from all territories you serve.	<b>Total</b>	<b>Male</b>	<b>Female</b>
		_____	_____	_____
50.	How many of your total clients have been issued RuPAY cards? <i>Note: if the respondent mentions a number, then write in number else in %, prefer to get the NUMBER</i>	<b>Number</b>		<b>Percent (%)</b>
		_____		<input type="text"/> <input type="text"/> <input type="text"/> %

51.	How many of your clients are migrants, who send money to their families through this model of banking services? <b>Note: if the respondent mentions a number, then write in number else in %, prefer to get the NUMBER</b>	<input type="text"/> <input type="text"/> <i>Write oo if none/</i> <input type="text"/> <input type="text"/> <input type="text"/> %			
52.	Please tell me the distribution of clients that you have based on the services been availed by them.  <b>Ask the respondent to refer to any record they keep or the best guess</b>  <b>Please sum and MATCH the total of total/male/female with Q56.</b>		<b>Total</b>	<b>Male</b>	<b>Female</b>
		Savings bank account			
		Subsidy payments			
		Personal loans			
		Loans for vehicles			
		Others (1).....			
		Others (2).....			
53.	Please provide me the details of the transactions of your clients?		<b>Average no. of transactions per month per customer</b>	<b>Average amount per transaction</b>	
		Savings bank account			
		Subsidy payments			
		Personal loans			
		Loans for vehicles			
		Others (1).....			
		Others (2).....			
54.	Do the account holders also put money in their account as a part of savings other than taking out subsidies?	Always			5
		Most of the times			4
		Don't know/Can't Say			3
		Sometimes			2
		Never			1
55.	In general, how often do you see your clients operate their bank accounts?	At least once a week			1
		At least once in two weeks			2
		At least once a month			3

		At least once in three months	4	
		At least once in six months	5	
		More than six months	6	
		Only when the subsidies come	7	
56.	What proportion of total accounts that you opened till now are <b>INACTIVE/DORMANT</b> ?  <i>.....I mean they have not been operated by the account holder in the past.....</i>	<b>In 24 months</b>	_____ %	
		<b>In 12 months</b>	_____ %	
		<b>In 6 months</b>	_____ %	
		Don't Know/cannot Say	9	
57.	What could be the possible reasons for not operating an account by any client?  <i>More than one response possible Circle all responses that apply</i>	They operate the account regularly, but only when subsidies come	1	
		Clients are generally not aware of the benefits of a bank account	2	
		Clients are not aware of the processes of transaction	3	
		Clients do not have enough money to deposit	4	
		Clients feel it is unsafe to deposit cash with a CSP/BC	5	
		Lack of trust with the BC/CSP	6	
		They open a bank account just to have one more identification card	7	
		Others (specify)	9	
58.	How often do you visit your assigned territories?	Everyday	1	
		Thrice a week	2	
		Twice a week	3	
		Once a week	4	
		Once in two weeks	5	
		Once a month	6	
		Never, the clients come to me	7	
59.	How do you motivate the rural people to open their accounts with you?  <i>More than one response possible Circle all responses that apply</i>	Personally go door to door and explain the benefits of having a bank account	1	
		They see the PMJDY logo and no further motivation is needed, they trust it completely	2	
		Do regular camps and programmes to educate the villagers about it	3	
		Banks held regular financial literacy programmes	4	
		Through NGOs and CBOs, who conduct regular programmes	5	

		We hire influential people in the village (like Sarpanch, Chemist, Shop owners, Teachers) to ask the villagers to open their bank accounts	6	
		They always want to open a bank account but the bank was too far	7	
		Others (specify)	9	
<b>60.</b>	What difficulties you face when you ask a villager to open an account?  <b>More than one response possible</b> <b>Circle all responses that apply</b>	Process is difficulty & lengthy for them	1	
		Lack of required documents	2	
		Scared of verification	3	
		Illiteracy and are unable to calculate	4	
		Lack of trust with BC model	5	
		Lack of trust if the BC is an outsider	6	
		Do not have enough savings	7	
		Feel frightened that their money will be lost	8	
		Lack of awareness about financial planning	9	
		Do not face any problem as such	10	
		Others (specify)	11	
<b>61.</b>	Do you generally get clients from word of mouth also...like one client tells another and brings it to you?	Yes, it happens always	1	
		Yes, but sometimes	2	
		Yes, rarely	3	
		No, never	4	
<b>62.</b>	Do you also have sub-agents who bring more clients to you? These sub-agents could be a local well know person in the village?	Yes	1	
		No	2	
<b>Block-4: Technology Integration and issues</b>				
<b>63.</b>	How do you generally transfer funds?	Electronically through a computer	1	
		Electronically through a POS device, which is a SMART card reader	2	
		Through a micro-ATM	3	
		Through a web kiosk	4	
		Physical visits to the bank (until then no receipt is given)	5	
		Others (specify)	9	
<b>64.</b>	How are you connected to the internet for fund transfer?	Through a SIM card	1	
		Through a Wi-Fi router/broadband connection	2	
		Others (specify)		

65.	How many POS terminals do you have currently?	_____		
66.	Who invested in the POS terminal from which you do the transactions currently?	Investment was done by me	1	
		By the employer (bank/corporate BC)	2	
67.	<b>Ask if coded 1 in Q.66,</b> How much did you invest initially in buying one POS terminal?	Rs _____		
68.	How often do you have a connectivity issue?	Always, everyday	5	
		Most of the times, but not everyday	4	
		Sometimes	3	
		Very few times	2	
		Never	1	
69.	How long does it take on an average for the connectivity to restore, once it is gone? <b>Mention in hours or days</b>	_____	<b>Hours</b>	
		_____	<b>Days</b>	
<b>Block-5: Capacity Building of Business Correspondents</b>				
70.	Have you ever received training from the Bank or the company you work for before starting this job?	Yes	1	
		No	2	
71.	Did you also receive any training during the job?	Yes	1	
		No	2	
72.	<b>Ask if coded 1 in Q.70</b> How often are the trainings conducted?	Monthly	1	
		Quarterly	2	
		Half Yearly	3	
		Yearly	4	
		No fixed time duration	5	
73.	<b>Ask if coded 1 in Q.71 or Q.72</b> On what topics did you receive training on?  <b>Multiple responses possible</b>	On the procedure to open an account	1	
		On how to calculate commissions	2	
		On how to increase earnings	3	
		On financial literacy (importance of bank accounts)	4	
		On how to convince customers to open bank accounts	5	
		On how to motivate customers to do savings	6	
		On how to resolve minor issues with the technology/device	7	
		On how to check KYC documents	8	
		On how to do entry in the passbook	9	
		Others (specify)		

74.	Out of 5, how many marks will you give to the quality trainings you received, 1 being the lowest and 5 being the highest?	<input type="checkbox"/>		
75.	What did you like in the trainings that you received?  <b>Multiple responses possible</b> <b>Circle all responses that apply</b>	I liked the content of the training	1	
		I liked the trainer	2	
		They gave the training in the village only, I liked that	3	
		They gave the training in the regional language, I liked that	4	
		It was free of cost	5	
		Others (specify)		
76.	Do you think that the trainings that you received were helpful in making your day to day job an easy task?	Yes	1	
		No	2	
77.	Do you take initiatives to educate your clients/villagers on financial literacy (like benefits of opening a bank account, habit of savings, etc.?)	Yes	1	
		No	2	
		No, there is no extra incentive for that	3	
78.	What are the areas that you would need/want training on?  <b>Multiple responses possible</b> <b>Circle all responses that apply</b>	On the procedure to open an account	1	
		On how to calculate commissions	2	
		On how to increase earnings	3	
		On importance of bank accounts/savings	4	
		Convince customers to open accounts	5	
		Motivate customers to do savings	6	
		On how to resolve minor issues with the technology/device	7	
		On how to check KYC documents	8	
		On how to do entry in the passbook	9	
Others (specify)				
<b>Block-6: Business viability of the BC model</b>				
79.	In your opinion, do you think that the current incentive structure under PMJDY is enough?	Yes, the present incentive structure is fine	1	
		No, the present incentives are less	2	
80.	<b>As if coded 2 in Q.79</b> What according to you should be the incentive structure under each of the following:	Opening of a new account	<b>Rs.....</b>	
		Sanctioning of a loan	___ ___ %	
		Transactions from a savings account	___ ___ %	
		Issuing a Rupay Card	<b>Rs.....</b>	
		Seeding an Aadhar Card		

			Rs.....
81.	Do you think that initial investment in buying a new POS terminal is a burden?	Yes, its an additional burden	1
		Yes, its way too much and the Govt. should bear it	2
		No, its under limits and fine	3
82.	Do you think because of initial investment required, many people are not willing to join as a BC?	Yes, definitely, not everyone has that much money	1
		Yes, because it takes too long to receive it	2
		No, I do not think so	3
83.	Do you think that once accounts are opened, then it becomes less profitable to operate as a BC, because transactions are very infrequent?	Yes, not much profits after that	1
		I am fine with it, as I have another employment	2
		Can't Say	3

**Block-7: Details of household expenditure**

84.	Please tell me the average expenses of your household that you incur on a monthly basis. Please tell me the same under the following heads (we do not need exact answer, but an average estimate will also suffice as you can recall) <b>Note: Family refers to the immediate family, including any direct dependents, who are dependent on the income of the respondent</b>	
	<b>Category</b>	<b>Monthly expenditure (in Rs)</b>
A.	Food expenses	Rs _____
B.	Fees for education of children	Rs _____
C.	Other education expenses (other than fees)	Rs _____
D.	Medical expenses (medicine, doctor fees, etc.)	Rs _____
E.	Fuel and light (like petrol, diesel, kerosene, etc.)	Rs _____
F.	Others (miscellaneous)	Rs _____
G.	Total	Rs _____

**Please summarise your experience of being involved as a BC agent with PMJDY?**

**In your opinion, what could be done so as to make the business model of BCs under PMJDY a more viable and attractive option?**

**Response:**

***Thank the respondent and close the interview!!***

# Appendix 1 D - Questionnaire for clients (beneficiaries)

## Introduction:

Hello, my name is..... and I work for PricewaterhouseCoopers Pvt. Ltd., India (PwC), which is a consulting and research organization. We conduct studies among people to understand their views, opinions and suggestions regarding various issues and at present, we are interviewing people here in \_\_\_\_\_ (name of district) in order to understand the present status of financial inclusion in the state of Madhya Pradesh channelized through the Business Correspondent Model. We are trying to understand the role played by the business correspondents in enhancing the scope of banking services to the poor and to have a deeper understanding of the model in the state of Madhya Pradesh. I would like you to give me your frank and honest opinion.

We are conducting this study for Small Industries Development Bank of India (SIDBI), which is an apex Development Financial Institution promoted by the Government of India and is involved in implementing several financial inclusion programmes in several parts of the India. Your inputs would be extremely valuable to this discussion. We would also like to tell you that your name and the data would be kept confidential and will be used only for research purposes. We would not be quoting you anywhere. If you are conformable, let us begin the discussion ...

Cover Sheet					
Q. No.	Question	Response			Skips
9.	Name of the District and Code <i>Please refer the code list provided</i>				
10.	Name of the Village/City				
11.	What kind of location is this?		Rural		1
			Urban		2
			Semi-urban		3
Block -O INTERVIEW DETAILS					
Q. No.	Question	Response			Skips
4.	Date of interview	DD	MM	YY	
				2015	
5.	A. Time interview started (HR MIN AM/PM) <input type="text"/>   <input type="text"/>   <input type="text"/>	B. Time interview ended (HR MIN AM/PM) <input type="text"/>   <input type="text"/>   <input type="text"/>			
Block-1 Respondent Details					
6.	Name of the respondent				
7.	Gender of the respondent <i>Observe and code, DO NOT ASK</i>		Male	1	
			Female	2	



<b>8.</b>	Age of the respondent (in completed years)		_____ years	
<b>9.</b>	Religion of the respondent	Hindu	1	
		Muslim	2	
		Buddhist	3	
		Sikh	4	
		Christian	5	
		Jain	6	
		Others	7	
<b>10.</b>	Caste of the respondent	Scheduled Tribe (ST)	1	
		Scheduled Caste (SC)	2	
		Other Backward Caste(OBC)	3	
		General	4	
		Others (Specify)	9	
<b>11.</b>	What is the highest level of formal education you have completed?	Primary (till class 5 <sup>th</sup> )	1	
		Middle School (till class 8 <sup>th</sup> )	2	
		Secondary (till class 10 <sup>th</sup> )	3	
		Senior Secondary (till class 12 <sup>th</sup> )	4	
		Graduate	5	
		Post Graduate and above	6	
		Diploma/other vocational courses	7	
<b>12.</b>	What is your current marital status?	Illiterate	8	
		Married	1	
		Unmarried	2	
		Divorced	3	
		Separated	4	
<b>13.</b>	What is your occupation at present?	Others (specify)	9	
		Agricultural Labourers	1	
		Non-Agricultural Labourers	2	
		Home-based worker / artisan/ handicrafts worker/tailor	3	
		Transport worker / driver/ conductor/ helper to drivers and conductors/ cart puller / rickshaw puller	4	
		Shop worker/ assistant/peon in small establishment/ helper/ delivery assistant/ attendant/waiter	5	
		Electrician/ mechanic/ assembler/ repair worker	6	
		Transport worker / driver/ conductor/ helper to drivers and conductors/ cart puller / rickshaw puller	7	
		Works in a private company	8	
		Works in a Government organization	9	
		No work, earns income from pensions/rent/interest	10	
		Not working	11	
<b>14.</b>	Ask only if NOT coded 11 in Q13			

	What is your average monthly income from your current employment?	Rs _____	
15.	Do you live currently with your family?	Yes	1
		No	2
16.	<b>Ask only if coded 1 in Q15</b> Do you live in a joint family or a nuclear family?	Nuclear family	1
		Joint Family	2
		Live alone	3
17.	How many members are there in your family and how many are living with you right now? How many family members are dependent on you ( <i>it means all those who are served by your income</i> )	Number of members in the family	<input type="text"/> <input type="text"/>
		Number of family members living with the respondent currently <i>Mention '00' if respondent lives alone</i>	<input type="text"/> <input type="text"/>
		Number of family members dependent on the respondent	<input type="text"/> <input type="text"/>
18.	Of all the family members in your family, how many of them are currently earning?	<input type="text"/> <input type="text"/>	
19.	Of all the family members, how many of them are 18 years or above?	<input type="text"/> <input type="text"/>	
20.	Of all the family members how many of them have a bank account ( <b>INCLUDING YOURSELF</b> )?	<input type="text"/> <input type="text"/>	
21.	Are you the chief wage earner (CWE) of your family? <b>CWE may not be head of the household or the eldest person. He is the one who earns maximum for the family</b>	Yes	1
		No	2
22.	<b>Ask if coded 2 in Q21</b>  What is the occupation of the chief wage earner of the household?	Agricultural Labourers	1
		Non-Agricultural Labourers	2
		Home-based worker / artisan/ handicrafts worker/tailor	3
		Transport worker / driver/ conductor/ helper to drivers and conductors/ cart puller / rickshaw puller	4
		Shop worker/ assistant/peon in small establishment/ helper/ delivery assistant/ attendant/waiter	5
		Electrician/ mechanic/ assembler/ repair worker	6

		Transport worker / driver/ conductor/ helper to drivers and conductors/ cart puller / rickshaw puller	7	
		Works in a private company	8	
		Works in a Government organization	9	
		No work, earns income from pensions/rent/interest	10	
		Others (Specify)	11	
<b>23.</b>	<b>Ask if coded 2 in Q21</b> What is the average monthly income of the CWE (in Rs)?	Rs _____		
<b>24.</b>	Do you or any member of your family have any debt/ loan at present with a bank or a local moneylender?	Yes	1	
		No	2	
		Don't Know/Can't Say	3	
<b>25.</b>	<b>Ask if coded 1 in Q.24</b> What is the amount of the loan that you have?	Rs.....		
<b>Block-2: Details of banking association and financial inclusion</b>				
<b>26.</b>	Do you have a bank account currently?	Yes	1	
		No	2	
<b>27.</b>	<b>Ask only if coded 2 in Q26</b> Why don't you have a bank account currently?	Money is safe in my house	1	
		Not enough money to save	2	
		Process of opening account is difficult	3	
		Lack of required documents	4	
		Scared of verification	5	
		Could not afford to pay middleman	6	
		Bank too far	7	
		Difficult to use bank account	8	
		Applied, in process	9	
		Others (specify)	10	
<b>28.</b>	Which bank do you have an account with? Please tell us the name of the bank?  <b>Note: Verify the same by asking for the passbook of the bank account</b>			
<b>29.</b>	Did you open your account through a business correspondent (a person who is a representative of the bank)?	Yes	1	
		No	2	
<b>30.</b>	<b>Ask only if coded 2 in Q29</b> Who helped you to open your bank account?	No one, I opened it on my own	1	
		Family member/ Relatives	2	
		Sarpanch/Panchayat Member	3	

		Friend/ Neighbours	4	
		ASHA/Aaganwadi Worker	5	
		Grocery Seller/Ration Depot	6	
		Others (specify)		
<b>31.</b>	Is your bank account under the PMJDY scheme?	Yes	1	
		Have applied/under process	3	
		No	2	
		Do not Know	4	
<b>32.</b>	<b>Ask if coded 1/2 in Q.31</b> How many months back did you open your account under the PMJDY scheme?	<input type="text"/> months back		
<b>33.</b>	<b>Ask if coded 1/2 in Q.31</b> How did you get to know that a bank account can be opened under PMJDY?  <b>Circle the MOST appropriate answer</b>	Through the business correspondent	1	
		Through posters/banners/nukkad natak, etc.	2	
		Though an event in my village done by the Government/bank/NGO	3	
		Sarpanch/Panchayat Member	4	
		SHG member/NGO	5	
		Block Development and Panchayat officer	6	
		Friend/Relative/Neighbors	7	
		ASHA/Aaganwadi Worker	8	
		School Teacher	9	
		TV/Radio/newspaper	10	
		Online (Internet)	11	
		Grocery Seller/Ration Depot	12	
	Others (specify)			
<b>34.</b>	<b>Ask if coded 1/2 in Q.31</b> Why did you decide to open your account under PMJDY?  <b>Multiple responses possible</b>	To do savings	1	
		It is unsafe to keep money at home	2	
		Bank was too far	3	
		I know the person, he is from my community	4	
		Sarpanch/business correspondent/other influencer from the village told me to open the account with the BC	5	
		I have more trust in the BC than the bank	6	
		It is much more convenient to deposit/withdraw money with the BC	7	

		I can deposit/withdraw small amounts also with the BC	8	
		To receive my subsidies like NREGA payments, pensions, gas subsidy, etc.	9	
		Others (specify)	10	
<b>35.</b>	<b>Ask if coded 1/2 in Q.31</b> Did you face any difficulty in opening an account under PMJDY?	Yes	1	
		No	2	
<b>36.</b>	<b>Ask if coded 1/2 in Q.31</b> Please tell us the difficulty that you faced when opening an account with PMJDY	Too many documents were required	1	
		Had to wait too long before the account was opened and I could use it	2	
		Had to frequently visit the bank	3	
		Had to wait too long to receive the PIN number of my account	4	
		Others (specify)		
<b>37.</b>	How much time after you opened the account did it take for your pin number to come?	One week	1	
		One month	2	
		2 months	3	
		3 months	4	
		More than 3 months	5	
		Has not come still	6	
<b>38.</b>	How much time after you opened the account did it take for the RuPay card to come?	One week	1	
		One month	2	
		2 months	3	
		3 months	4	
		More than 3 months	5	
		Has not come still	6	
<b>39.</b>	How often do you deposit money in your account?	Once a week	1	
		Once a fortnight (2 weeks)	2	
		Once a month	3	
		Once in 3 months	4	
		Once in 6 months	5	
		More than 6 months	6	
		Very infrequently, no fixed time interval	7	
		Not deposited money since I have opened my account	8	
<b>40.</b>	How frequently do you take out money from your account?	Once a week	1	
		Once a fortnight (2 weeks)	2	

		Once a month	3	
		Once in 3 months	4	
		Once in 6 months	5	
		More than 6 months	6	
		Very infrequently, no fixed time interval	7	
		Not withdrawn money since I have opened my account	8	
		There is no money in the account to be withdrawn	9	
<b>41.</b>	What is the average amount that you generally deposit and take out from your account?	<b>Deposit (Rs)</b>		
		<b>Withdraw (Rs)</b>		
<b>42.</b>	What subsidies or payments from the government do you receive in your account?	<b>Name of scheme</b>	<b>Payment /subsidy received</b>	<b>Amount (if coded Y)</b>
		NREGA	Y N	
		LPG Subsidy	Y N	
		Food subsidy	Y N	
		Fertiliser subsidy	Y N	
		Others (specify)	Y N	
<b>43.</b>	Are you aware of accidental insurance cover of Rs 1 Lakh in your account?	Yes, the BCA told me	1	
		No, the BCA never told about this	2	
<b>44.</b>	<b>Ask if coded 1 in Q.43</b> Have you ever availed the accidental insurance?	Yes	1	
		No	2	
<b>45.</b>	<b>Ask if coded 2 in Q.44</b> Why did you never availed the accidental insurance?	None of my family members met with an accident	1	
		Did not knew that my account under PMJDY had such facility	2	
		Did not use the RuPay card in past 45 days	3	
		Others (specify)	4	
<b>46.</b>	Are you aware that there is an overdraft facility of Rs 5, 000 in your account?	Yes, the BCA told me	1	
		No, the BCA never told about this	2	
<b>47.</b>	<b>Ask if coded 1 in Q.46</b> Have you ever availed the overdraft facility?	Yes	1	
		No	2	

48.	Are you aware that there is life insurance cover of Rs 50, 000 in your account?	Yes, the BCA told me	1
		No, the BCA never told about this	2
49.	Do you used to deposit money in bank account before you opened a bank account with PMJDY	Yes, I used to deposit money in bank	1
		No, I used to keep money in my house	2
		No, I used to keep money in chit fund	3
		No, I started saving money properly only after PMJDY account	4
50.	When was the last time that you operated (deposit/withdraw) money in your account?	Within a week	1
		Within a month	2
		Within 3 months	3
		Within 6 months	4
		Within 12 year	5
		More than a year	6
51.	<b>Ask if code 3/4/5/6 in Q.50</b> What is the reason that you did not operate your account for so long?	Did not had enough money to deposit	1
		The place where BCA sits is in another village, which is far	2
		I lost my RuPay Card	3
		My account was deactivated	4
		They always have a network problem, so I waste money going that far	5
		They always have problem of cash, so I waste money going that far	5
		The BCA is non-cooperative and always tell to come later	6
		Others (specify)	7
52.	How far is the place of the BCA from your house? Please tell approx. KMS	_____KMS	

### Block-3: Likeability and Trust with the BC model

53.	Now, I will read out some statements to you, please tell me on a scale of 1 to5, how much do you agree or disagree with those statements, where: 1=completely disagree, 5= totally agree <b>The interviewer needs to explain the scale very carefully to the respondent, before questioning.</b>					
	<b>Statements</b>	<b>Completely agree</b>	<b>Agree to some extent</b>	<b>Can't Say/Undecided</b>	<b>Disagree</b>	<b>Completely Disagree</b>
1)	The money deposited with the BC agent is safe	5	4	3	2	1
2)	The interest on savings account is suitable	5	4	3	2	1
3)	There is no hassle in opening an account with a BCA	5	4	3	2	1
4)	The BCA is a trustworthy person	5	4	3	2	1
5)	The information provided by BCA on PMJDY was very informative	5	4	3	2	1
6)	My BNC agent is very helpful and supportive	5	4	3	2	1

7)	My BC agent has all the financial knowledge of PMJDY scheme	5	4	3	2	1
8)	My BC agent promotes a culture of savings in me and other people also	5	4	3	2	1
9)	My BC agent motivate rural people to open their accounts under PMJDY					
10)	The documentation required to open an account is fine with me	5	4	3	2	1
11)	My RuPay card came on time	5	4	3	2	1
12)	My account PIN came on time	5	4	3	2	1
13)	The overdraft facility of Rs 5,000 is very helpful	5	4	3	2	1
14)	The accidental insurance of Rs 1 Lakh is very useful	5	4	3	2	1
15)	The life insurance cover of Rs 50, 000 is very useful	5	4	3	2	1
16)	I like that my subsidy and NREGA payments now come in my bank account	5	4	3	2	1
17)	I would love to get mine/other family member's pension come in my bank account	5	4	3	2	1
18)	It is very easy to operate a PMJDY account, like to deposit and withdraw money	5	4	3	2	1
19)	Savings is a good habitant we all should do it	5	4	3	2	1
20)	Earlier I wasted a lot of money, but this PMJDY account helps me save now	5	4	3	2	1
21)	I feel financially safe and secure with a PMJDY account	5	4	3	2	1
22)	I would prefer a local lender over a PMJDY account	5	4	3	2	1
<b>54.</b>	Overall, how satisfied are you with the following: <b>5=Very Satisfied, 4=Satisfied, 3=Neutral/Can't Say, 2=Unsatisfied, 1= Very unsatisfied</b>					
	With the PMJDY account	1	2	3	4	5
	With BC agent	1	2	3	4	5
	With the Bank	1	2	3	4	5
<b>55.</b>	What do you <b>LIKE</b> the most in the PMJDY scheme and the facilities provided in the bank account? <b>Record in detail</b> <b>Answer:</b>					
<b>56.</b>	What do you <b>DISLIKE</b> like the most in the PMJDY scheme and the facilities provided in the bank account? <b>Record in detail</b> <b>Answer:</b>					



## Appendix 1 E - Commission structures of selected banks

Particulars	Remuneration by CSP / Individual BC by Bank		
	SBI	BOI	BOB
<b>Minimum Performance Criteria</b>			
Fixed salary amount per month on achievement of below criteria	Rs. 2,000 (payable up to MAR-15)		Rs. 2,500 (for initial 6 months)
Minimum number of account openings	25 (total transactions)	50	
Minimum number of transactions		100	25
<b>Service Commission</b>			
Savings account openings	Rs. 20 (additional Rs. 5 with initial deposit of min Rs. 100)	Rs. 20	Rs. 20
Recurring deposit account openings		Rs. 20	Rs. 5
Term deposits		0.5% of deposit amount Max Rs. 1,000/-	Rs. 5
Cash deposits	0.25% of amount, Min Rs.2/- Max Rs.8/-	0.50% of amount, Max Rs.25/-	
Cash withdrawals	0.50% of amount, Min Rs.3/- Max Rs.14/-	0.50% of amount, Max Rs.25/-	

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Overdraft	For SBI Tiny Overdraft, 0.50% of limit availed as BF activity to BC at the time of availment		0.5% of loan amount sanctioned subject to a minimum of Rs. 25 and maximum of Rs.5,000.00 ; 50% of the amount payable shall be paid after the first disbursement of the loan and the rest 50% shall be paid one year thereafter if the account continues to be standard asset till then.
A/c to A/c remittance	1% of amount, Rural: Min Rs.2/- Max Rs.10/- Urban: Min Rs.3/- Max Rs.10/-	0.50% of amount, Max Rs.5/- per transaction	
IMPS transaction	Cash: 1.4% of the amount, Min Rs.17/- Max Rs70/- Transfer: 0.6% of the amount, Min Rs.10/-Max Rs30/-		
Non-zero balance account (each CSP)	Less than 50% = Nil; Between 50% - 74% = Rs.500; 75% and above = Rs.1000		
e-KYC verification	Rs. 5/- per account		
Aadhar seeding	Rs. 5/- per account		
Inputting valid Contact Number	Rs. 5/- per account		

Weekly average balance maintenance	i) 0.50%p.a. for average balance <=500 ii) 1.00% p.a. for avg balance >=501 to <=1000 iii) 1.50% p.a. for avg balance >=1001 to Rs.5000 iv) 2.00% p.a. for avg. bal >5000	For Swavlamban / NPS-Lite A/c: Rs. 50/- per account (if annual subscription of Rs. 1,000/- is deposited by the subscriber)	
<b>Service Commission related to Loan accounts / Credit accounts</b>			
New account loans		0.50% of sanctioned amount, Min Rs.100/- Max Rs.5,000/-	0.5% of loan amount sanctioned subject to a minimum of Rs. 25 and maximum of Rs.5,000.00
Recovery of loans / advances (through regular follow-ups)		0.50% of recovery amount	
<b>Service Commission related to social security schemes</b>			
3rd Party financial products		25% of banks commission	25% of banks commission
<b>Cash Handling</b>			
			Paid at rate of 0.40% of total amount

## ***Appendix 1 F - Disclaimer***

*This report has been prepared for and only for Small Industries Development Bank of India (SIDBI) in accordance with the agreed terms and conditions as per the contract dated 21st Oct, 2014 and for no other purpose. Furthermore, PwC will not be bound to discuss, explain, or reply to queries raised by any agency, other than the intended recipient of this report. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.*

*The opinions contained in this report are based on the facts, assumptions, and representations stated herein. Our assessment and opinions are based on the fact and circumstances provided/ collected during our meetings with related officials and research from sources in public domain held to be reliable. If any of these facts, assumptions or representations are not entirely complete or accurate, the conclusions drawn therein could undergo material change and the incompleteness of inaccuracy could cause us to change our opinions. The assertions and conclusions are based on the information available at the time of writing this report.*

*The procedures we carried out in performing the work that forms the basis of this report were not as to constitute an audit. As such, the content of this report should not be considered as providing the same level of assurance as an audit. PwC disclaims all liability to any third party who may place reliance on this report and therefore does not assume responsibility for any loss or damage suffered by any such third party in reliance thereon.*