

Study on Customer Satisfaction Towards the Business Correspondent Model for Financial Inclusion

DR. PRITI AGGARWAL^{1*}, DR. MANJU SINGHANIA²

^{1*}Professor – VPSM, DY Patil University, Navi Mumbai. Email- pri.aggarwal@dypatil.edu

²Assistant Professor Thakur College of Science & Commerce Thakur Village, Kandivali (E), Mumbai 400 101.
Email- manjusinghania@tsc.edu.in

Abstract

India is one of the pioneers in branchless banking and financial inclusion. However, more than a decade after the first guidelines on the Business Correspondent (BC) Model were issued in 2006, by the Reserve Bank of India, the scheduled commercial banks and other financial service providers in India are struggling to establish a viable and sustainable business model for branchless banking.

To achieve effective financial access for a substantial proportion of the Indian population, all the stakeholders including the government, regulators, service providers, Banks, and Financial institutions need to focus on the key aspects viz. putting in place standard guidelines and establishing accountability through policy intervention, removing implementation bottlenecks, adequate and strategically located access points; enhancing business viability for BCs; assuring better support to BCs and customers; and instituting effective monitoring and supervision mechanisms for these agents and to catalyze radical changes in the way these agents function at present.

The primary focus of the study is to comprehend the suitability of the BC model for Financial Inclusion in the urban slums of Mumbai in the state of Maharashtra, at the backdrop of banking habits and financial literacy. This research paper revolves around and is an attempt to study, evaluate, and assess the contribution of the various stakeholders like Business Correspondents, Corporate BCs with their Customer Service Points, Branch Managers of the Linked Bank Branches, Financial Inclusion Departments of select Banks, and the Customers, towards the achievement of the common objective of the nation of 'Financial Inclusion'. In the field-level survey, approximately 900 Customers availing banking services through the BC Channel were interviewed to evaluate the level of satisfaction achieved by them and the level of financial literacy gained through BC.

There is a need to make the business correspondent (BC) industry more investor friendly to take the financial inclusion drive to the last mile in Indi. Business Correspondent is an extended arm of a bank branch, which provides financial and banking services to customers in unbanked and underbanked areas.

Key Words: Banking, Business Correspondent, Financial literacy

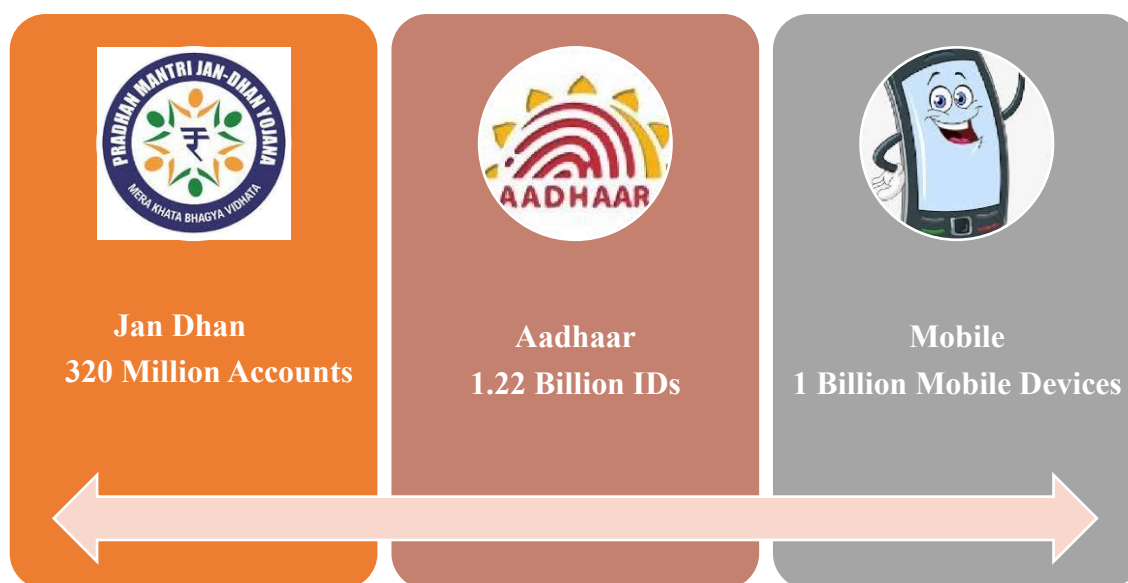
1.0 INTRODUCTION

Financial inclusion is the key to bridging the social divide and achieving well-distributed, robust, and sustainable economic growth in the country. The provision of Financial Services helps drive the social welfare and economic growth of a country and assists the underprivileged by offering adequate funds for their health, education, and business, thereby aiding them to get through their predicament. Financial Services also make it easier for people to supervise their financial emergencies, such as unemployment or a crop fiasco, which can drown their families into the abyss of impoverishment. Globally, indigents in spades are in dearth of the commercial services that should be proffered to them in answering tasks like e-payments and account opening. Instead, they rest on hard cash, which can be dangerous and difficult to control. Therefore, the primary agenda of the central bank of our nation is the promotion of financial inclusion by methods of access to the formal financial system. The Reserve Bank of India (RBI) foresees Financial inclusion as an outset, for accessing the fundamental financial products that incorporate the provision of banking services like savings, money orders, credits, government-aided insurance, and socio-welfare products to small-scale countrymen at a reasonable cost. Also, with their rational prices, the products and services dispense sufficient protection augmented with public fund transfers, increasing the accessibility of orthodox finance to micro companies to accomplish their delegation of turning 90 percent of the previously underserved segments of the financial ecosystem into dynamic shareholders in the banking advancement by 2021.

Financial inclusion can seem unachievable without government-to-person (G2P) social cash transfers. This could convoy the GenY reforms by substituting the agricultural input support with revenue funding that could up the personal disposable yield of the poverty-stricken, landing the inclusion project on a hard-core substratum. With the Jan Dhan, Aadhaar, and Mobile (JAM) trio strengthening its grip, there comes an opportunity to coherently affiliate their access and utilization and also safeguard that there are slim chances for any leakages during financial transfers to occur. The key to a more organized payment system and condensing the obsession for cash is the innovation of delivery channels like ewallets accompanied by administrative amendments to grant interoperability across banks and nonbanking financial institutions. BC models need to be amalgamated by the banks into their business strategies gaining assistance from technology to

flourish an economical, dependable, and a 'last mile' delivery channel that could win the heart of a layman. A strong credit system can be established using the data from biometric identification together with credit information being supplied to credit agencies that can be used as a foundation for procuring loans at realistic costs while sidestepping the downsides of over-indebtedness. Micro enterprises can appreciably deplete the credit gap by recruiting experts who can gauge the affluence of these firms by acting as arbitrators with the bank. Instituting universal crop insurance for marginal farmers at heavily subsidized rates can acceptably direct the agricultural anguish purveying in the sector. Secondly, the introduction of welfare schemes can deal with social dilemmas like gender exclusion. Furthermore, remitting interest-free financial products through a separate portal in conventional banks can assist in examining the exclusion based on beliefs. The shortcomings of financial products too seem to hold water, when it comes to financial inclusion in this sector: which embraces a clear menace of mis-selling, which can vandalize small farmers who have undefined cash flow.

JAM OF FINANCIAL INCLUSION



Source: BCG Analysis, 2018

Access to Financial services can motivate poor people to accumulate savings and improve their standard of living.¹ Across the world, it has been realized that owing savings accounts can be very much beneficial to the underprivileged community¹. By inculcating the habit of savings and investments among the low-income group, the economy as a whole can also prosper. For example, the market vendors in Kenya, primarily women, on account of proper access to the available financial services, could save at a higher rate and invest more than 60% in their businesses. Women-headed households in Nepal spent 15% more on nutritious foods and 20 % more on education and farmers in Malawi who had their earnings deposited into savings accounts spent 13% more on farming equipment and increased their crop values by 15%. Savings have the potential to enhance the spending capacity of an individual.

For the Government, switching from cash to digital payments can curb the high-level corruption prevailing in the economy and for the improvement of their business proficiency. In India, policy changes in the mode of pension payments, which were earlier paid in cash shall now be made through smartcards with a biometric access. In Nigeria, dispensing social transfers through mobile phones rather than in cash has reduced the variable administrative cost by 20%. Global Findex, 2017 database shows that 515 million adults worldwide have opened a bank account with a bank or through a mobile money provider between fiscal 2014 and 2017. This reveals the fact that 69 % of adults across the globe now have an account, up from 62 % in 2014 and 51% in 2011.

In the developed countries there is no adult without a bank account. The situation of people not having a bank account is not very uncommon thing in the developing country. The seven countries who are identified for highest number of unbanked people are India, China, Bangladesh, Pakistan, Nigeria, Indonesia and Mexico. Half of the unbanked people are women and from the lowest income group. As two-thirds of these excluded people now have access to mobile, a positive potential client for the mobile financial inclusion. This possibility of mobile banking will come true if the system of mobile banking can be spread with a improved system, infrastructure, regulatory measures and customer safeguards

¹ Findex World Bank Report 2017

1.1 STATEMENT OF PROBLEM

India is one of the pioneers in branchless banking and financial inclusion. However, more than a decade after the first guidelines on the Business Correspondent (BC) Model were issued in 2006, by the Reserve Bank of India, the scheduled commercial banks and other financial service providers in India are struggling to establish a viable and sustainable business model for branchless banking.

To achieve effective financial access for a substantial proportion of the Indian population, all the stakeholders including the government, regulators, service providers, Banks, and Financial institutions need to focus on the key aspects viz. putting in place standard guidelines and establishing accountability through policy intervention, removing implementation bottlenecks, adequate and strategically located access points; enhancing business viability for BCs; assuring better support to BCs and customers; and instituting effective monitoring and supervision mechanisms for these agents and to catalyze radical changes in the way these agents function at present.

The incremental steps taken so far by the Government of India and the Regulators have been inadequate to address the fundamental disconnect between the policy objectives that drive financial inclusion, and the practical, on-the-ground, operational realities that drive business viability for these BCs. There is a strong requirement for a fresh perspective by re-imagining some key aspects of the BC operations and management with the ultimate objective of driving effective financial access and inclusion in the country.

1.2 CAUSES OF FINANCIAL EXCLUSION

Financial Exclusion may also have resulted from a variety of structural factors such as the unavailability of products suiting their requirements, stringent documentation and collateral requirements and increased competition in financial services. The Causes of financial exclusion can be identified broadly in two categories, first the demand side and the second supply side.

1.2.1 DEMAND SIDE BARRIERS

The people who have the requirement/need but still not demanding/availing the financial services/products can be due to the following reasons:

i. Low Income:

A higher share of the population below the poverty line results in lower demand for financial services as the poor may not have savings to place as deposits in savings banks; hence the market lacks incentives to provide financial services/products. Most of the people belonging to the financially excluded group have irregular/seasonal income. Hence opening a bank account and operating it i.e. deposit and withdrawal in very small denominations with high frequency will increase the cost of transaction, adding to that they also anticipate that banks will refuse if they transact with so small amount. Further provided that, as they have low earnings they cannot maintain the minimum balance requirements of a normal savings bank account which ranges from Rs. 500 to Rs 5000 (Rs.500 in case of PSB and Rs. 5000 for Pvt. Sector Banks) and various annual maintenance charges (AMC) levied by banks.

ii. Transaction cost:

Vast number of the rural population resides in small villages which are often located in remote areas devoid of financial services. Consequently, the overall transaction cost to the customer in terms of both time and money proves to be a major deterrent for visiting financial institutions. The excluded section of the society finds informal sector more reachable due to proximity and ease of transaction.

iii. Financial Services Being Very Complex in Nature:

Excluded sections of the society find dealing with the organized financial sector cumbersome.

iv. Easy access to alternative credit:

For a good amount of low income people, the alternative credit provided by the money lenders and pan shop owners are far more attractive and hassle free compared to getting a loan from a commercial bank. Some of the poor that do not have property find it impossible to get credit without the collateral. The uneducated poor would rather put their trust in moneylenders who provide easy non-collateral credit than on the well-established commercial banks. There might also be cultural reasons for trusting a moneylender rather than a bank. Distance from bank branch, branch timings, cumbersome documentation/procedures, unsuitable products, language, staff attitude are common reasons.

v. Low literacy level:

The lack of financial awareness about the benefits of the banking and also illiteracy act as stumbling blocks to financial inclusion. The lack of financial awareness maybe the single most risk in financial inclusion as those who are newly included in the financial sector have to maintained within the formal financial sector.

vi. Legal identity:

Lack of legal identities like identity cards, birth certificates or written records often exclude women, ethnic minorities, economic and political refugees and migrant workers from accessing financial services.

vii. Sophisticated Financial Terminologies:

Bankers often use complex financial terminologies, which the masses are unable to comprehend and hence do not approach for financial services voluntarily. **viii. Terms and conditions:**

Terms and conditions attached to products such as minimum balance requirements and conditions relating to the use of accounts as in the case of saving bank account often dissuade people from using such products/services. Further, terms and conditions and its framework is generally so tedious and detailed that understanding it is not possible for those who cannot even write their name or are less literate and do not understand English or Hindi (in case of some regional urban slum areas).

ix. Psychological and cultural barriers:

The feeling that banks are not interested to look into their cause has led to self-exclusion for many of the low income groups. However, cultural and religious barriers to banking have also been observed in some of the countries.

x. Disincentives for the consumer:

The cost of maintaining an account (non-zero balance accounts) and procedural problems in accessing formal credit act as disincentives for consumers with weaker financial background. The bank would rather give smaller number of large credits to middle and upper class individuals and institutions, due to the lower cost involved in banking with them. The banks and other financial service firms have fewer financial products which are attractive to the poor and the socially disadvantaged. All these acts against the interest of a consumer from a poor background.

1.2.2 SUPPLY SIDE BARRIERS:

Some of the important causes of the relatively low extension of institutional credit in the urban slum areas are risk perception, cost of its assessment and management, lack of urban slum infrastructure, and vast geographical spread of the urban slum areas with more than half a million villages, some sparsely populated.

i. Perception among banks about urban slum population:

Generally, there exists a perception among banks that large number of urban slum population is unbankable as their capacity to save is limited. Therefore, they do not look favorably at small loans often required by marginalized section. Such loans are considered to be non-productive.

ii. Miniscule margin in handling small transactions:

As the majority of urban slum population resides in small villages that too in remote areas, banks find small transactions cost ineffective.

iii. KYC requirements:

The KYC requirements of independent documentary proof of identity and address can be a very important barrier to having a bank account, especially for migrants and slum dwellers.

iv. Unsuitable products:

One of the most important reasons for the majority of the urban slum population not approaching the formal sector for financial services is the unsuitability of products and services being offered to them. For example, most of their credit needs are in the form of small lump sums and banks are reluctant to give small amounts of loan at frequent intervals. Consequently, they have to resort to borrowing money from moneylenders at exorbitant rates.

v. Staff attitude:

As public sector banks (PSBs) cater to more than 70% of the banked population and about 90% of the rural/slum population, a majority of staff in these PSBs remain insensitive to the needs of the customer and shirk away from duty. The situation is even worse in urban slum branches where they behave with urban slum poor condescendingly.

vi. Poor market linkage:

It is often argued that we may have been growing second fastest in the world, but still over 40-55% of people living in urban slum and semi-urban areas do not have access to basic necessities of life. 75% of villages in urban slum areas have no electricity arrangement, so it can be imagined that how much penetration market would be having especially when it comes to providing financial services/products, this may be that they are reluctant or there is no institutional as well as physical. Therefore, there is no institutional infrastructure available in the urban slum area. Poor market linkage or say penetration of service providers also constitutes the major factors of financial exclusion.

vii. Lack of interest from Commercial Banks:

There is a lot of criticism on commercial banks because of their inherent tendency to think that poor people are not worthy of being banked on. Banks are in business to make profit and would like to only indulge in activities that give them profit. Due to high transaction costs on smaller transactions and the speculated high risk in lending credit to the lower strata of the society, they see banking with poor as unviable. Even if banks are concerned at the poor, they do it in a manner of corporate social responsibility or social service and treat them differently instead of trying to bring them into the mainstream. Unless banks see any incentive in banking with the weaker sections of the society, they would not be willing to do so.

viii. Poor credit record:

Areas with poor credit record, bad past experience, socially unstable and poor recovery of previous loan/credit given are observed to be highly financially excluded, as banks blacklist such areas as the part of their risk management strategy.

1.3 LITERATURE REVIEW

1.3.1. "Financial Inclusion: A Global Perspective"²³ by **A.K. Sohani** enumerates that financial inclusion had becoming a growing concern in the global forums. There had been the gradual realization that a vast majority of underprivileged section of the society remain out of the orbit of financial institutions. The inclusive measures are not only directed to improve the savings habits of the poor but also bring them under the credit and insurance facilities. The micro-finance sectors to be functioning also with the banks to reach out to the unbanked people to strengthen the economic affairs. The article encompasses the roles of regulatory bodies like, RBI, BASEL Committee etc.

1.3.2. "Financial Inclusion and Micro-finance In India: An Overview"³ authored by **Jayasheela, Dinesha P.T. and V. Basil Hans**, discusses the role of credit as the crucial inputs for economic development. The critical aspect of affordability of credit and its availability on time and right amount of credit for the success in feasibility and culminate into growth are the issues discussed in the article. Analysing the various approaches of the inclusive process and the bank's role in it to connect with SHG micro finance the article prescribes policies that would be useful. Instead of simply apprehend on the MFIs regarding handling public money, their growth and achievements also should be appreciated.

1.3.3. Mahil Carr⁴, author of the article "**A Technological Approach To Financial Inclusion: Problems & Solutions**", deals with the extension of banking in rural unbanked regions where electricity and internet connections are also rare. The concept of Business Correspondents promoted by RBI is proving to be useful for accessing banking services at the doorsteps of the unbanked people. The article discusses the Smart card introduction by the different operating systems like MultOS, PayflexorJava with biometric identification and bank and customer information. The Warangal district in Andhra Pradesh was under the Pilot Project of Financial Inclusion and the details showcased by the author. IT enabled smartcards have been introduced to pay government wages and pensions.

1.3.4. K.G.K. Subba Rao⁴ in the article "**Financial Inclusion: An Introspection**" discusses the persisting high level of exclusion as the banking facility remains inaccessible to a vast number of people. The surveys showing the status of formal and informal penetration of regions. The pattern of rural as well as urban according to decennial All-India Debt and Investment Surveys (AIDIS) by the National Sample Survey Organization (NSSO) is also analyzed to get a detailed picture of the implementation impact. A profile of the Small Borrowal Accounts (SBA) have also been discussed. The institutional credit facility towards priority sector and small borrowing had been enumerated in the article. The household debt pattern consisting of institutional and also non-institutional have been put forward in the article.

1.3.5. Ramesh S Arunachalam⁵ in his article "**Scoping Paper on Financial Inclusion Considerations and Recommendations For UNDP**" highlights the program objective as "promoting social, economic and political inclusion for the most disadvantaged, especially women and girls". The seven Indian states that are involved in the program are Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan, and Uttar Pradesh. The article expresses concern about the poverty rates as high as 60% existing in Bihar, southern Odisha, Madhya Pradesh, and southern Uttar Pradesh. The rate at which the transformation of development is happening is considered not very encouraging due to disparity in the rural and urban approach of inclusive measures. Financial inclusion forms a major part of this marked inequality is reviewed in the article.

1.3.6. S. Mahendra Dev⁶ in the article "**Financial Inclusion: Issues and Challenges**" discusses how financial inclusion impacts the lives of the poor, especially in rural areas. The general living conditions of the poor farmers, non-farming entrepreneurs, and other vulnerable groups remain out of any formal banking services. The article explores the issues regarding credits to small and marginal farmers, artisans, self-employed, and workers of unorganized sectors. The need for credits for housing is often neglected due to the question of creditworthiness, so if there is any need to have special institutions to cater to such requirements. The risk and vulnerability, low productivity, low skills and poor market linkages, insufficient awareness, and low financial literacy are issues that pose a challenge to the progress of inclusion.

1.3.7. H.M. Treasury's⁷ report "**Financial Inclusion: The Way Forward**" observes that as one of the world's largest, competitive and most sophisticated is the economy sector of the UK, has been very efficient in tackling and responding with the pace of the fast changing technological and social changes. As the life styles and requirements have changed in the society the economic sector reciprocated to keep the pace with a range of financial products to suit the changing demands of the clients. Financial inclusion ensures accessibility of financial services and enabling the day to day management of their financial matters. The schemes also endeavour to make the customer cope with financial pressure and distress and plan for better future. There is a dedicated Financial Inclusion Fund of 120 million pounds with the

² A.K. Sohani, "Financial Inclusion: A Global Perspective", ICAFI University Press, 2008

³ Jayasheela, Dinesha P.T. and V. Basil Hans, Mahil Carr⁴, author of the article "A Technological Approach to Financial Inclusion: Problems & Solutions", ICAFI University Press, 2008 "Financial Inclusion And Micro-finance In India: An Overview", ICAFI University Press, 2008

⁴ K.G.K. Subba Rao, "Financial Inclusion: An Introspection", ICAFI University Press, 2008

⁵ Ramesh S Arunachalam, Scoping Paper On Financial Inclusion Considerations And Recommendations For UNDP", ICAFI University Press, 2008

⁶ Mahendra Dev⁷ in the article "Financial Inclusion: Issues And Challenges", ICAFI University Press, 2008

⁷ H.M. Treasury, "Financial Inclusion: The Way Forward"

priority of access to banking, affordable credit and free consultation offered by the UK Government. The system of monitoring and recommending is also finely designed to support the endeavour.

1.3.8. William Brit Gwinner, Michael J. Goldberg, Tova Maria Soloand Alberto Didoni⁸ in their article "**From Financial Exclusion to Inclusion: Increasing the Availability of Credit to The Urban Poor in Latin America**" observes that majority of the Latin American poor are unbanked. There are studies on Mexico, Colombia and Brazil that shows that the rate of "bancarizacion" varies between 15% to 35%. whereas the OECD countries show 91% to 97% with striking difference. The article focuses the efforts being made for urban poor for credit facilities. Latin American commercial banks are initiating some effort towards inclusion along with NGOs, MFIs and NBFIs to suit the demand of lowincome groups on credit products.

1.3.9. John D. Conroy⁹ states in the article "**Financial Inclusion: A New Micro-Finance Initiative For APEC**" that for achieving elevated financial inclusion both efficiency and equity benefits are essential. There is a trend of growth observed in capital flow towards microfinance. This article suggests the ways for ABAC to succeed in steering APEC's explorations of micro-finance towards a properly destined objective. The article recommends that there should be a finance ministry-level policy to integrate financial inclusion as a prioritized objective. The modalities that are possible for FMP to initiate to increase the level of financial inclusion with microfinance as the fundamental tool are also suggested in the article.

1.3.10. R.N. Dash¹¹ in the article "**Financial Inclusion - An Assessment of New Modalities and Alternative Models**" takes on the economic growth that depends on the poor of India to cross the hurdles of financial exclusion. the development process, so far, have failed to distribute the benefit to the vast majority of the population who are extremely poor even to have access to the basic banking service as savings. Some of the current initiatives for financial inclusion are reviewed by this article. The Self-Help Groups since early 90's linked with banks in the SHG-Bank Linkage Programme and involvement with NGOs. It suggests Lead bank as one of the multi-agencies approaches for rural banking. The State Level Banking Committee also plays an important role to improving the inclusion through General Credit Cards use in the "no-frills" accounts along with the insurance and financial literacy programme.

1.3.11 Kaushik Bhattachajee and Ashmita Bhattacharjee¹² in their article "**Grameen Bank: Balancing Gender Bias: It Is, Philosophy - A Revolutionary One**" reviews the impact of cheap credit in Bangladesh. The multiple challenges faced by Md. Yunus and the impact of Grameen Bank to create a mutual trust, accountability, empathy and participation, especially by women. The principle of lending to women without collateral securities was a revolutionary one and had a huge impact on the rural poor society. The payment schemes by the borrowers have also been reviewed in the article.

1.3.12. Kenneth M Amaeshe¹¹ in the article "**Financial Exclusion, Financial Institutions and Cooperate Social Responsibility: A Developing Country Perspective**" emphasize the financial illiteracy as the major cause of exclusion in the developing countries. A case study of Nigeria is presented in the article to show how the potential financial opportunities are lost by the banks because of the vast population is excluded from the financial market. The development of the country is restricted not only on account of economic criteria but also social backwardness plagues the nation. The article points out the social conditions as the limitation towards financial inclusion. Thus, the socioeconomic combination pulls the growth of a country down. The article covers the overview of Nigerian macro socio economic affairs with the opportunities that are lying with the financial exclusion caused by lack of financial literacy. The additional factor of concern is that most of the foreign banks are apprehensive about lending to the larger section of native people.

1.4. SIGNIFICANCE OF THE STUDY

Banking and Financial Services have shown tremendous growth in volumes along with increasing complexity of product lines offered. Despite this growth, there are concerns that banks have not been able to reach the diverse and vast segment of the country, especially underprivileged and marginal income group. In India, 60 percent of population does not have access to formal sources of Financial Services. The situation becomes starker due to the extreme Urban-Urban slum divide. In Urban India, 44 percent households are financially excluded, but in the interiors of the country 76 percent households are excluded from formal sources of finance. Other than Urban-Urban slum divide, region-wise split is a matter of concern as a few regions are incalculably deprived of formal sources of finance whereas others have a better formal mechanism to address needs.

In the current scenario, the various banking delivery channels used for delivery of financial services in India range from Brick and Mortar branches, ATMs, Service/Extension Counters, Internet Banking, Mobile Banking, BC with Micro ATM, Point of Sale, Mobile Wallets etc. Banks, by partnering with IT companies have been exploring the BC Model for various

⁸ William Brit Gwinner, Michael J. Goldberg, Tova Maria Soloand Alberto Didoni, "From Financial Exclusion To Inclusion: Increasing The Availability Of Credit To The Urban Poor In Latin America"

⁹ John D. Conroy, "Financial Inclusion: A New Micro-finance Initiative For APEC"

¹⁰ R.N. D Kaushik Bhattachajee and Ashmita Bhattacharjee, "Grameen Bank: Balancing Gender Bias: It Is, Philosophy ash, "Financial Inclusion - An Assessment Of New Modalities And Alternative Models" - A Revolutionary One"

¹¹ Kenneth M Amaeshe, "Financial Exclusion, Financial Institutions And Cooperate Social Responsibility: A Developing Country Perspective"

reasons viz. large scale opening of PMJDY (No Frill) Accounts, channelizing Government payments (G2P) like Pension, Social benefit payments, NREGS, Direct Benefit Transfers etc. The BC Channel has the potential to reach out to the unreached low-income poor people residing in the remote areas at an affordable cost. BC Channel enables the Banking network to extend their financial services to the underbanked and unbanked masses and thus achieve inclusive growth.

1.5. RATIONALE OF THE STUDY:

Banks play important role in the development of trade; commerce and it has vital role in the economic development of nation's economy. We can't think modern society without the banking system. Despite witnessing substantial progress in financial sector reforms in India, hardly one-fourth of the urban slum households are assisted by banks. Hence the major task before banks is to bring most of those excluded, i.e. 75% of the urban slum households, under banking fold. There is a need to improve the living standards of this socially poor group by initiating new/increased economic activities with the help of banks, NGOs, and local developmental agencies. To start with, it is necessary to develop a fair understanding of the Profile of Marginalized people. To understand the perception of the underprivileged community about the bank and its services. So, there is a need for the formal financial system to look at increasing financial literacy and financial counselling to focus on financial inclusion and distress amongst this community. Indian banks and financial market players should actively look at promoting such programs as a part of their corporate social responsibility and should conduct full day programs for the socially poor, for counselling small borrowers for making aware on the implications of the loan, how interest is calculated, and so on, so that they are totally aware of its features

1.6. OBJECTIVES OF THE STUDY

The primary focus of the study is to comprehend the suitability of BC model for the Financial Inclusion in the urban slums, at the back drop of banking habits and financial literacy. For this purpose, the researcher has focused on the following two objectives:

- Evaluate quality of services being provided by the BCs to the account holders and the product portfolio of the BCs.
- To understand satisfaction level of Customers banking through the Business Correspondents.

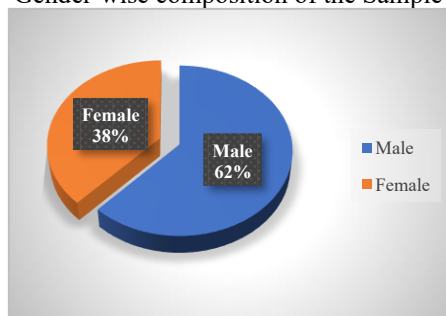
1.7. ANALYSIS OF THE FIELD-LEVEL STUDY OF CUSTOMER BANKING THROUGH THE BC CHANNEL

1.7.1. Gender of the respondents

Table 1.1. Gender-wise composition of the sample BC customers

Gender	No. of respondents	% of respondents
Male	546	62%
Female	334	38%
Total	880	100%

Figure 1.1. Gender-wise composition of the Sample BC Customers



Interpretation:

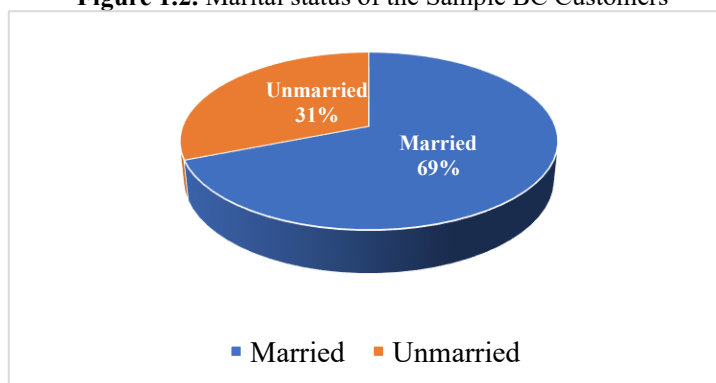
The above table and the diagram reveal the gender-wise distribution of the sample customers operating their bank accounts through the BC Channel. 38% of Females and 62% of Males responded to the fieldlevel study done through a structured questionnaire.

1.7.2. Marital status of the respondents

Table 1.2. Marital status of the sample BC customers

Marital Status	No. of respondents	% of respondents
Married	603	69%
Unmarried	277	31%
Total	880	100%

Figure 1.2. Marital status of the Sample BC Customers



Interpretation:

The above table and the diagram reveal the marital status of the sample customers operating their bank accounts through the BC Channel. 31% Unmarried and 69% Married responded to the field level study done through a structured questionnaire.

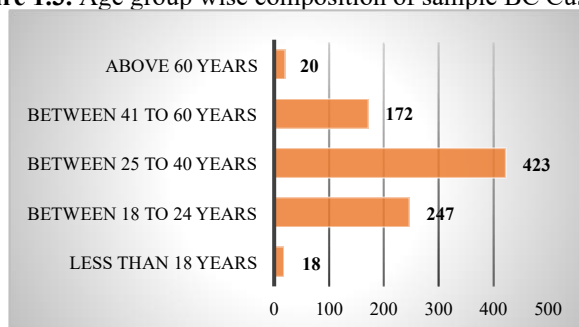
1.7.3. Age of the respondents

Table 1.3. presents age-group-wise profile of sample BC customers.

Table 1.3. Age-group-wise distribution of Sample BC Customers

Age group (Years)	No. of respondents	% of respondents
Less than 18 Years	18	2%
Between 18 to 24 Years	247	28%
Between 25 to 40 Years	423	48%
Between 41 to 60 Years	172	20%
Above 60 Years	20	2%
Total	880	100%

Figure 1.3. Age group wise composition of sample BC Customers



Interpretation:

Our analysis proves that out of the sample population composition of BC customers in the age group of less than 40 years is the most profitable bucket for the BC Channel, owing to the following key factors:

Peak working age and hence regular income, High literacy rate, People are more or less Tech savvy and their risk appetite is high. The reason for a smaller number of respondents in the age group of above 60 years (2%) was non-processing of any social security benefits (old age pensions, widow pensions, etc.) through the BCs.

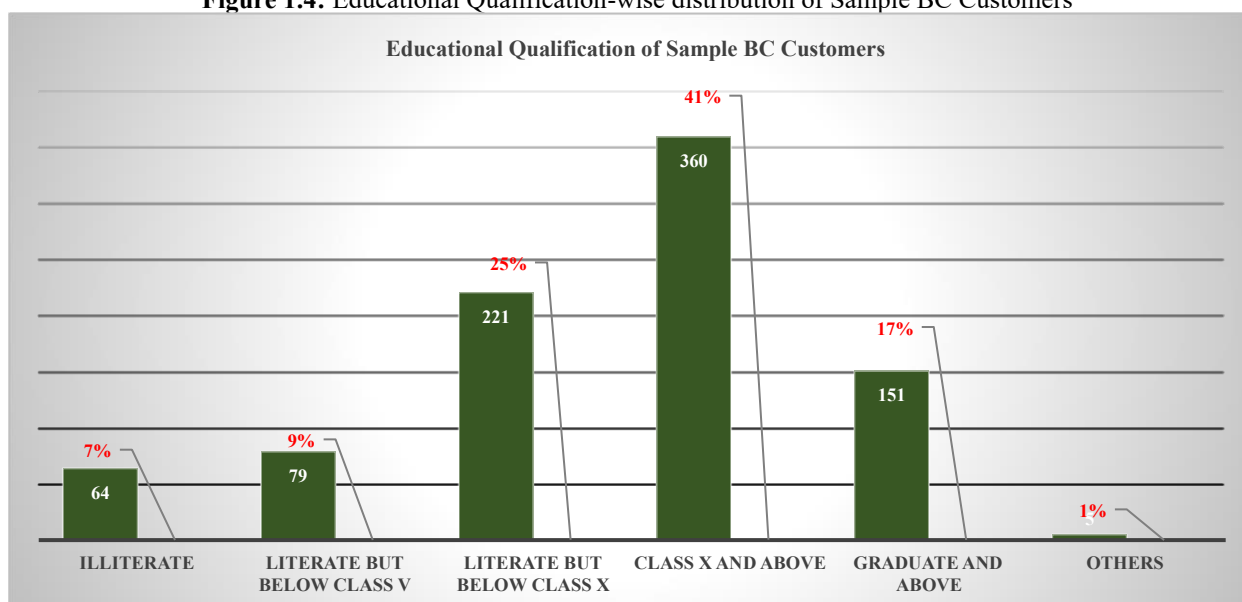
1.7.4. Educational Qualification of the respondents

Educational qualifications of the BC customers are tabulated as under:

Table 1.4: Educational Qualification-wise distribution of Sample BC Customers

Educational Qualification	No. of respondents	% of respondents
Illiterate	64	7%
Literate but below Class V	79	9%
Literate but below Class X	221	25%
Class X and above	360	41%
Graduate and above	151	17%
Others	5	1%
Total	880	100%

Figure 1.4: Educational Qualification-wise distribution of Sample BC Customers



Interpretation

It is interesting to observe that 59% of the respondents fall above the education level of Class X (Class X and above - 41%, Graduate and above - 17%, and Others - 1%) and more importantly they were inclined to save for their better living. As we are aware Financial literacy is considered an important adjunct for promoting financial inclusion and ultimately financial stability, higher education levels among the masses can play a vital role in making financial inclusion viable in India.

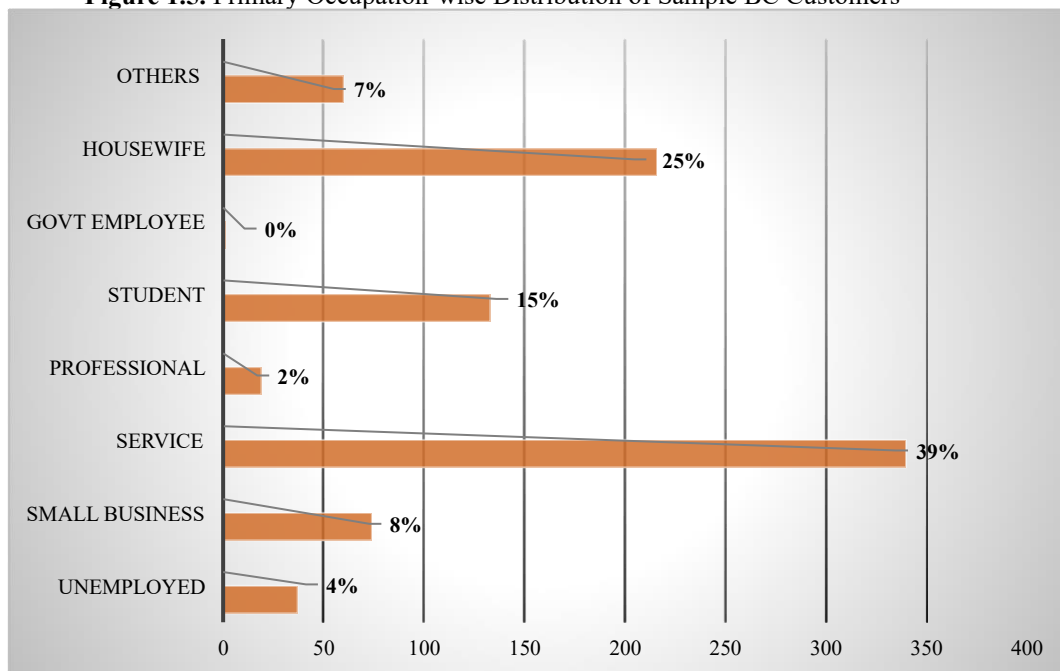
1.7.5. Occupation of the respondents

Occupation-wise distribution of sample BC customers is presented in Table 1.5.

Table 1.5. Primary Occupation-wise distribution of Sample BC Customers

Occupation	No. of respondents	% of respondents
Unemployed	37	4%
Small Business	74	8%
Service	340	39%
Professional	19	2%
Student	133	15%
Govt Employee	1	0%
Housewife	216	25%
Others	60	7%

Figure 1.5. Primary Occupation-wise Distribution of Sample BC Customers



Interpretation

The above table and diagram represent the primary occupation of the respondents. Approximately 4% are unemployed, 8% run small business, 2% are professionals, 15% are students and 25% are housewives. Majority of customers of BCs were into service (39%) and had regular income. This kind of profile is appropriate for extension of credit facilities as the chances of such loans turning bad is minimal.

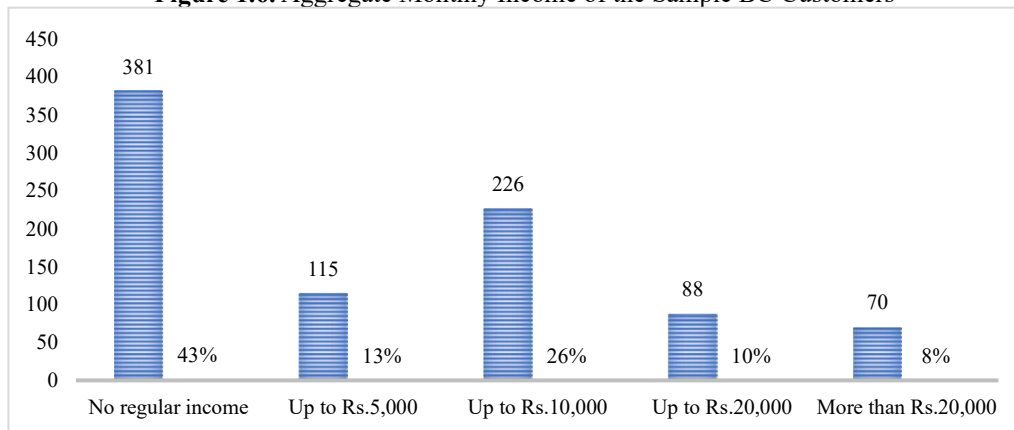
1.7.6. Aggregate Monthly Income of the Respondents

The aggregate monthly income of sample BC customers is presented in Table 1.1.

Table 1.6. Aggregate Monthly Income of the Sample BC Customers

Monthly Income	No. of respondents	% of respondents
No regular income	381	43%
Up to Rs.5,000	115	13%
Up to Rs.10,000	226	26%
Up to Rs.20,000	88	10%
More than Rs.20,000	70	8%
Total	880	100%

Figure 1.6. Aggregate Monthly Income of the Sample BC Customers



Interpretation

The above table and diagram represent the aggregate monthly income of the respondents. 43% of the respondents did not have any regular income, 13% of them were earning less than Rs.5,000 per month, 26% of respondents earned Less than Rs.10,000 per month only 18% of the respondents had a monthly income of Rs.20,000 and more. As the monthly income of 43% of the sample population falls in the category of no regular income it poses a risk for the BCs as the chances of these accounts to get tagged as dormant on account of un-operability over a longer period of time is high.

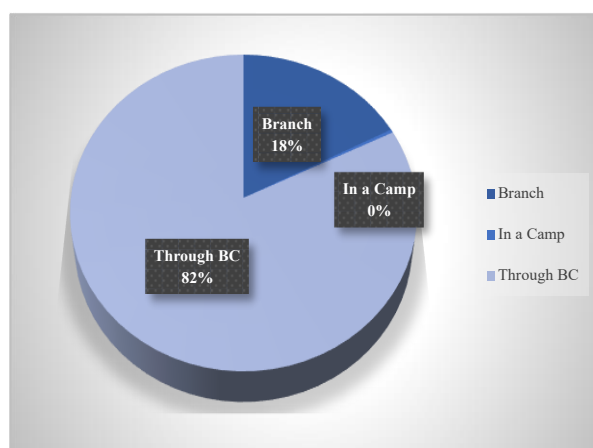
1.7.7. Place of opening a Bank account

Place of opening a bank account by the sample population is indicated in the table 1.7.

Table 1.7. Place of opening a bank account

Account opened at...	No. of respondents	% of respondents
Branch	154	18%
In a Camp	3	0%
Through BC	723	82%
Total	880	100%

Figure 1.7. Place of opening a bank account



Interpretation

It is interesting to know that 82% of the respondents have opened their first bank account directly with the BC, only 18% of the respondents have approached the Bank and less than 1% have opened during a PMJDY camp organized in their location. This clearly indicates that the respondents were more comfortable in approaching and interacting with BC rather than visiting the branch of the said Bank.

Moreover, the BC offers them geographical convenience and time flexibility.

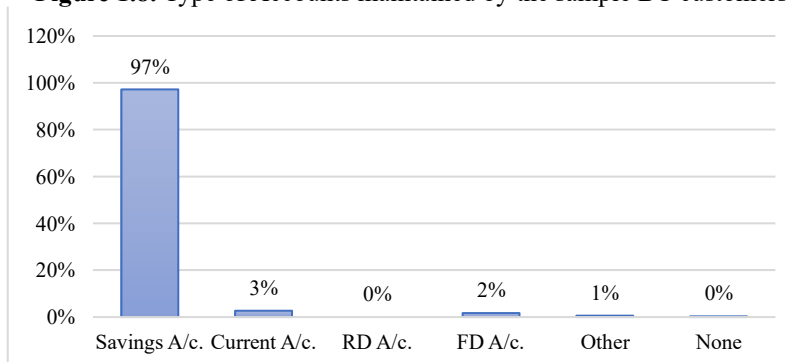
1.7.8. Type of accounts maintained by the respondents

The type of accounts that are maintained by the BC Customers is indicated in table 1.8.

Table 1.8. Type of Accounts maintained by the sample BC customers

Type of Accounts maintained	No. of respondents	% of respondents
Savings A/c.	855	97%
Current A/c.	24	3%
Recurring Deposit A/c.	0	0%
Fixed Deposit A/c.	15	2%
Other	5	1%
None	3	0%
Total	880	100%

Figure 1.8. Type of Accounts maintained by the sample BC customers



Interpretation

From the above table and figure, it is surprising to know that 97% of the respondents have a Savings Bank Accounts whereas only 3% of the respondents had maintained other types of accounts. As the most common product/service availed through the BC Channel is only a Savings Bank Account. Here, the BC has a tremendous scope to market and convince the masses to sign up for term deposits and recurring deposits by elaborating the key characteristics and benefits attached with the products thereby augmenting business penetration and profitability. This can be made possible only if adequate training and product knowledge is imparted to these BCs.

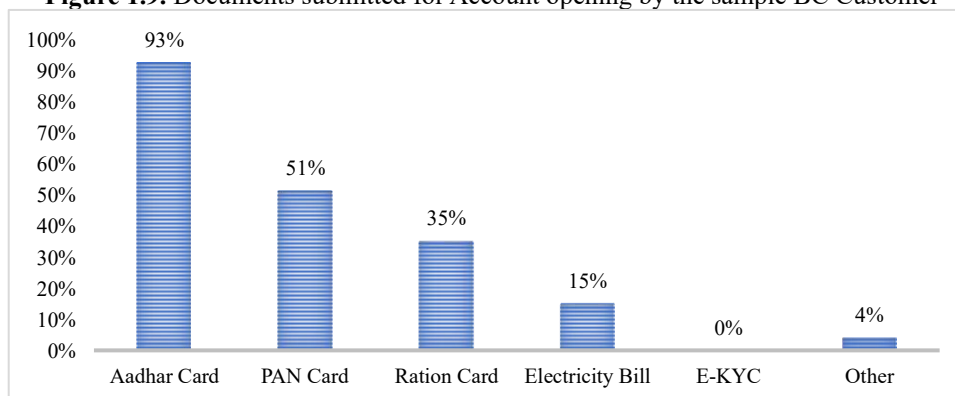
1.7.9. Documents submitted by the respondents for opening an account:

The KYC documents, as an Identification and Address Proof, that were submitted by the sample BC Customers while opening their accounts is as indicated in the Table 1.9.

Table 1.9. Documents submitted for Account opening by the sample BC Customer

Documents submitted while Account opening	No. of respondents	% of respondents
Aadhar Card	814	93%
PAN Card	451	51%
Ration Card	310	35%
Electricity Bill	132	15%
E-KYC	1	0%
Other	36	4%
Total	880	100%

Figure 1.9. Documents submitted for Account opening by the sample BC Customer



Interpretation

The above table and figure, indicates that 93% of the respondents submitted Aadhaar card as KYC Documents for Identification and Address Proof while opening an account with the BC while 51% submitted PAN Card, 35% Ration Card, 15% Electricity Bill. It is interesting to know that 93% of the respondents have submitted their Aadhaar cards while account opening whereby through Aadhar authentication, the Banks can provide E KYC services to the customers and allow interoperability. As interoperability has the potential to drive customer transactions and ensure business continuity for the customers in the event of BC falling dormant and provide them the account access at the outlet of any other BC.

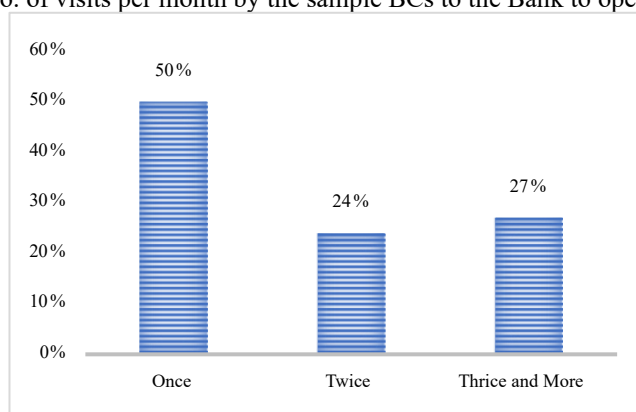
1.7.10. No. of visits in a month by the respondents to the Bank for operating their accounts

No. of visits per month by the sample BC customers to the Bank for operating their accounts is as indicated in the Table 1.10.

Table 1.10. No. of visits per month by the sample BCs to the Bank for operating their accounts

Visit to the Bank Branch	No. of respondents	% of respondents
Once	438	50%
Twice	209	24%
Thrice and More	233	27%
Total	880	100%

Figure 1.10. No. of visits per month by the sample BCs to the Bank to operate their accounts



Interpretation

The above table and figure, indicates that 50% of the respondents had visit the Bank only once in a month to operate their accounts, while 24% visit twice and 27% of them visit thrice a month. On discussion it was highlighted that the respondents who visit their Bank only once in a month were more comfortable in approaching and interacting with BC rather than visiting the branch of the said Bank. BC offers them geographical convenience and time flexibility. However, the other category of respondents who frequently visited the Bank branch operate their account through the BC channel only for small value transactions and in case of high value transactions prefer to transact directly through the Bank as they lack the confidence and trust on the BC and doubt their accountability.

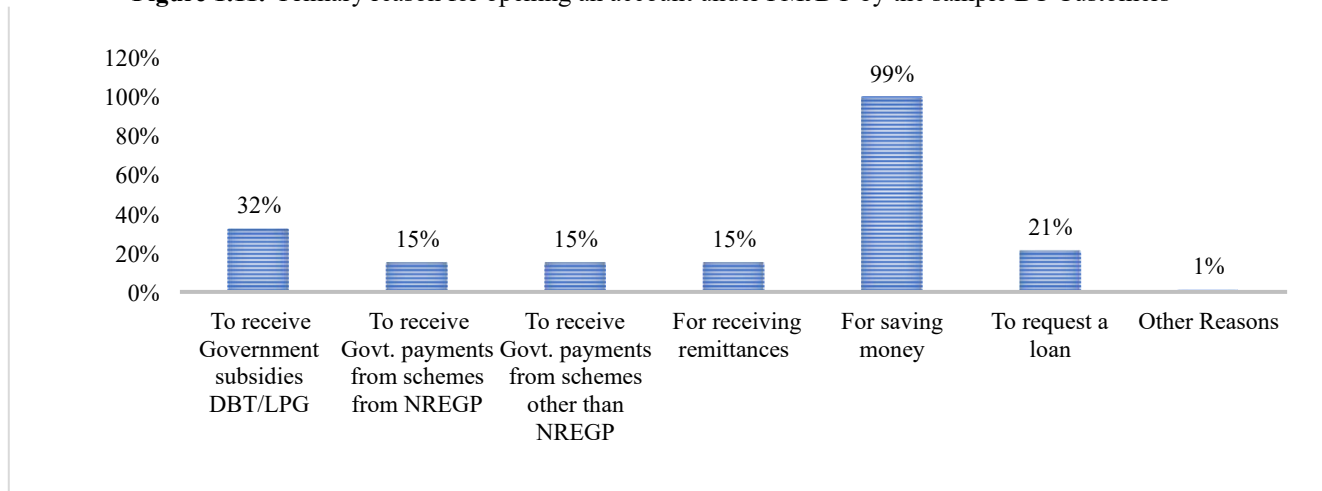
1.7.11. PRIMARY REASON FOR OPENING AN ACCOUNT UNDER PMJDY

The primary reason for opening an account under PMJDY by the sample BC Customers is indicated in Table 1.11.

Table 1.11. The primary reason for opening an account under PMJDY by the sample BC Customers

Reason for opening an account under PMJDY	No. of respondents	% of respondents
To receive Government subsidies DBT/LPG	281	32%
To receive payment from Government scheme NREGP	132	15%
To receive payment from Government schemes other than NREGP	131	15%
For receiving remittances	129	15%
For saving money	867	99%
To request a loan	184	21%
Other Reasons	4	1%
Total	880	100%

Figure 1.11. Primary reason for opening an account under PMJDY by the sample BC Customers



Interpretation

The above table and figure highlight the main factors that have motivated the respondents to open a basic savings bank account under PMJDY. The primary reason for opening an account for the respondents is savings i.e. 99%, which is a positive indicator of inclusive growth in the country, by inculcating the habit of savings among the masses and low-income group people living in the slums of Mumbai. The second important factor for opening an account was to receive government subsidies in the form of DBT/LPG. 21% of the respondents have opened the account primarily to avail a loan facility from the Bank.

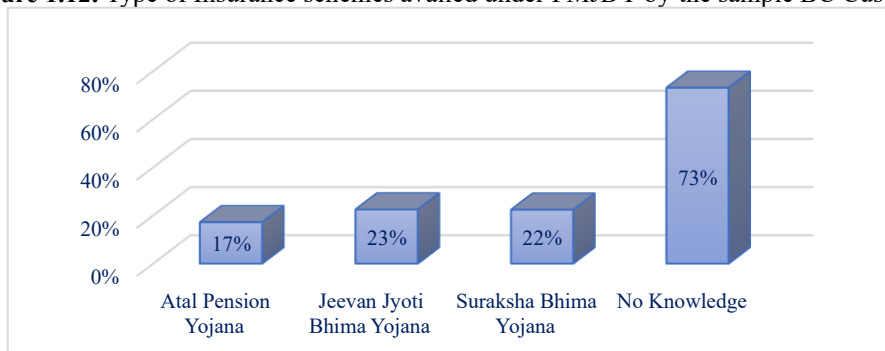
1.7.12. Type of Insurance schemes bought under PMJDY by the respondents.

The type of Insurance schemes availed under PMJDY by the sample BC Customers is as indicated in Table 1.12

Table 1.12. Type of Insurance schemes availed under PMJDY by the sample BC Customers

Type of Insurance scheme bought under PMJDY	No. of respondents	% of respondents
Atal Pension Yojana	151	17%
Jeevan Jyoti Bhima Yojana	198	23%
Suraksha Bhima Yojana	197	23%
No Knowledge	643	73%
Total	880	100%

Figure 1.12. Type of Insurance schemes availed under PMJDY by the sample BC Customers



Interpretation

The above table and figure indicate that 73% of the respondents have no knowledge about the various Government backed insurance schemes, 23% of the respondents have bought PMSBY (Pradhan Mantri Suraksha Bhima Yojana (Rs.12 scheme as popularly known among the masses), 23% of the respondents have bought PMJJBU (Pradhan Mantri Jeevan Jyoti Bhima Yojana (Rs.330 scheme as popularly known among the masses) and only 17% have bought the pension product

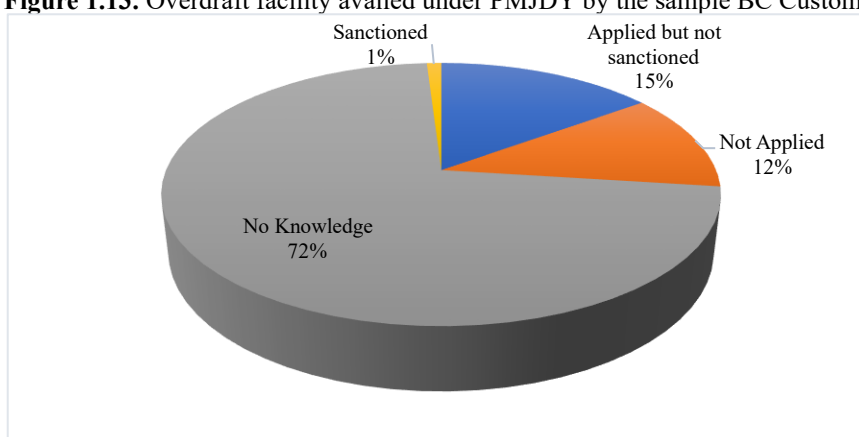
Atal Pension Yojana. This survey highlights the point that the Government Insurance schemes and initiatives have a poor visibility among the BC Clients. In respect of Insurance as a financial product, the thumb rule is ‘Insurance is never brought but it has to be sold’. The challenge that lies with the BC is to educate the masses and make them aware of the benefits drawn vis a vis the low premium for these insurance/pension schemes.

1.7.13. Overdraft facility availed under PMJDY by the respondents.

Table 1.13. Overdraft facility availed under PMJDY by the sample BC Customer

Overdraft Facility availed under PMJDY	No. of respondents	% of respondents
Applied but not sanctioned	132	15%
Not Applied	109	12%
No Knowledge	637	72%
Sanctioned	2	1%
Total	880	100%

Figure 1.13. Overdraft facility availed under PMJDY by the sample BC Customer



Interpretation

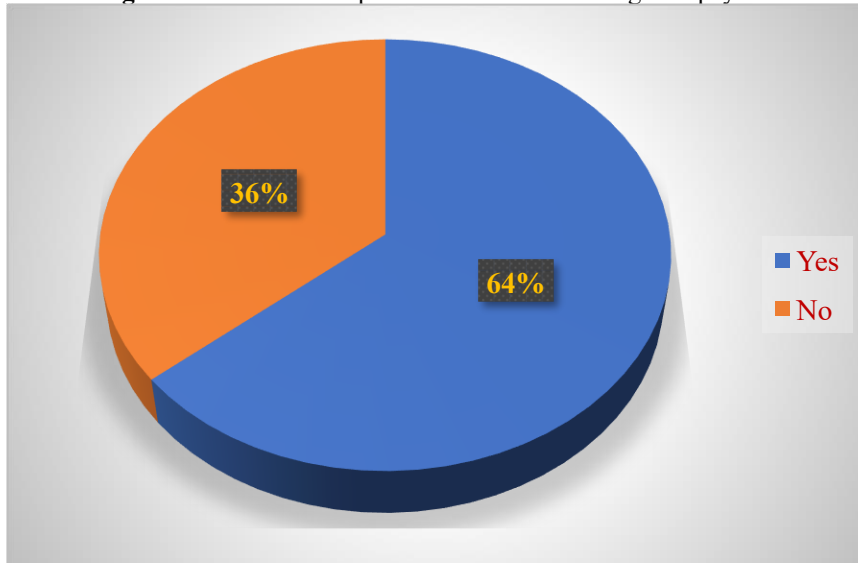
The above table and figure indicate that 72% of the respondents don't have any knowledge about the Overdraft facility of Rs.5,000. Another 12% of the respondents have knowledge but haven't applied for the same, 15% of the respondents have applied but were not sanctioned the credit facility by the Banks as they did not have proper documents. Only 1% of the respondents could avail the overdraft facility from the Bank. On discussion it was also understood that the masses mistook the Overdraft facility linked to the PMJDY Accounts as a government grant rather than correctly understanding it as a credit facility. The masses had opened the accounts in the anticipation that the OD facility will be directly credited into their Bank accounts. But the same did not hold good and consequently these accounts turned to be dormant.

1.7.14. No. of respondents holding a Rupay card.

Table 1.14. No. of sample BC Customers holding a Rupay card

Holding a Rupay Card	No. of respondents	% of respondents
Yes	559	64%
No	321	36%
Total	880	100%

Figure 1.14. No. of sample BC Customers holding a Rupay card



Interpretation

The above table and figure indicate that 64% of the respondents were holding a Rupay card whereas 36% of the respondents had not collected their Rupay Cards, on account of lack of knowledge.

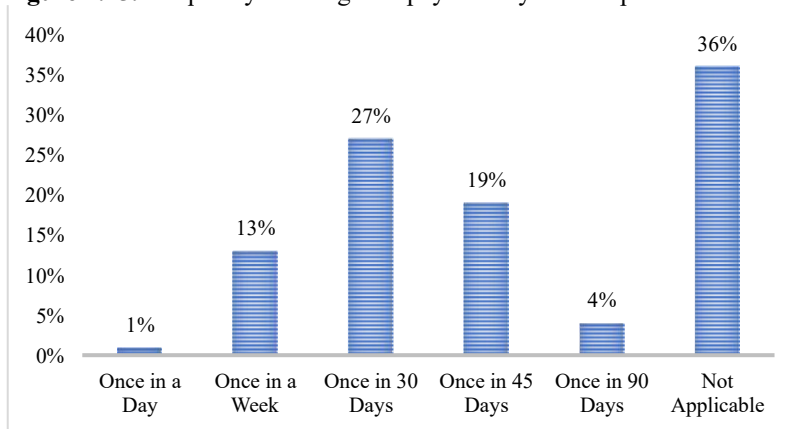
1.7.15. Frequency of using a Rupay card by the respondents.

Among the respondents holding a Rupay Card, the frequency of using the Rupay card is indicated in Table 1.15.

Table 1.15. Frequency of using a Rupay card by the sample BC Customers

Frequency of using a Rupay Card	No. of respondents	% of respondents
Once in a Day	6	1%
Once in a Week	117	13%
Once in 30 Days	233	27%
Once in 45 Days	168	19%
Once in 90 Days	36	4%
Not Applicable	320	36%
Total	880	100%

Figure 1.15. Frequency of using a Rupay card by the sample BC Customers



Interpretation

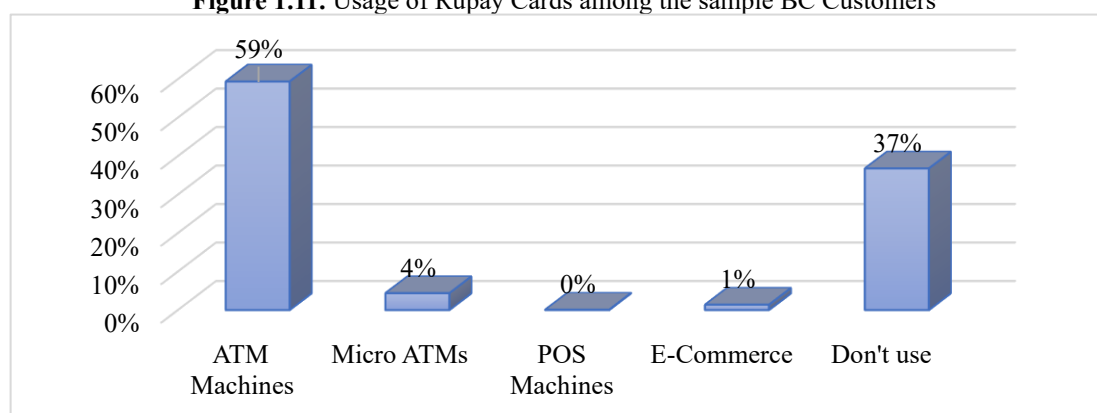
The above table and figure indicate that 27% of the respondents, holding a Rupay card use it once in 30 days, 19% of them use it once in 45 days, 4% of the respondents use it once in 90 days, 13% use it once in a week and only 1% of the sample population use it on a daily basis.

1.7.11. Usage of Rupay card among the respondents.

Table 1.11. Usage of Rupay Cards among the sample BC Customers

Usage of Rupay Card	No. of respondents	% of respondents
ATM Machines	523	59%
Micro ATMs	39	4%
POS Machines	1	0%
E-Commerce	12	1%
Don't use	324	37%
Total	880	100%

Figure 1.11. Usage of Rupay Cards among the sample BC Customers



Interpretation

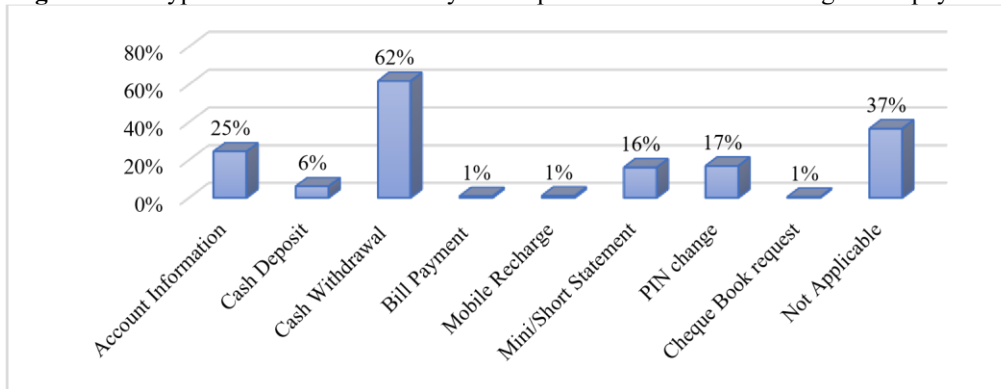
The above table and figure indicate that 59% of the respondents use their Rupay card at ATMs, 4% use them at Micro ATMs, 1% of them use it for E-Commerce and less than 1% use it at POS. The masses / low income group people are not very much convinced and conversant with the functioning of the ATMS/POS terminals and are reluctant to use their Rupay cards instead of cash

1.7.17. Type of transactions done by the respondents at the ATMs using the Rupay card.

Table 1.17. Type of transactions done by the respondents at the ATMs using the Rupay card.

Type of transactions done at ATMs using Rupay card	No. of respondents	% of respondents
Account Information	216	25%
Cash Deposit	54	6%
Cash Withdrawal	544	62%
Bill Payment	8	1%
Mobile Recharge	10	1%
Mini/Short Statement	142	16%
PIN change	149	17%
Cheque Book request	4	1%
Not Applicable	322	37%

Figure 1.17. Type of transactions done by the respondents at the ATMs using the Rupay card.



Interpretation

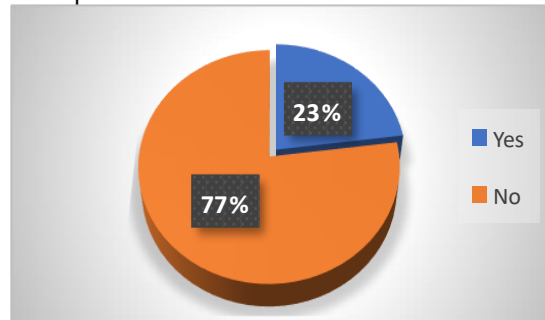
The above table and figure indicate that 62% of the respondents are using the Rupay cards at the ATMs only for Cash withdrawal 25% of the respondents use them for Account information, 6% for cash deposits, 1% for Bill Payments, 1% for Mobile charge facility, 16% for generating mini statements, 17% for changing their ATM PIN and only 1% for cheque book request. This highlights that Though Boquete of facilities are provided by the Bank at the ATM kiosks however most commonly used service is cash withdrawals. There is less awareness among the masses regarding the other facilities and hence are reluctant to avail themselves with the help of their Rupay card.

1.7.18. No. of respondents who have availed of Mobile Banking services.

Table 1.18. No. of sample BC Customers who have availed Mobile Banking services

Availed Mobile Banking services	No. of respondents	% of respondents
Yes	198	23%
No	682	77%
Total	880	100%

Figure 1.18. No. of sample BC Customers who have availed of Mobile Banking services



Interpretation

The above table and figure indicate that only 23% of the respondents have availed the Mobile banking services and rest 77% are reluctant to operate their bank accounts through mobile phones. In India to achieve the goal of universal financial inclusion, mobile phones are seen as a catalyst. For Financial inclusion it is important that we leverage the mobile phones for doing mobile banking. A strategy needs to be developed around digitalization of the economy through the use of USSD based mobile banking.

Highlights of the field-level survey of the BC Customers:

Considering the target group of Financial Inclusion, the BCs were serving the right kind of customers, as 82 % of the respondents belonged to the income group of Rs.10,000 per month.

As 82% of the customers came to know about the existence of BCs as the BCs contacted them personally and have opened the account directly at the BC centre indicates that proper awareness campaigns were conducted by the BCs.

1.8. Testing of Hypothesis:

1.8.1. Hypothesis 1

H_0 : As per the Customer's opinion, the financial services provided by the BCs are not that important for them.

H_1 . As per the Customer's opinion, the financial services provided by the BCs are very important for them.

Table 1.19. T-Test on the Importance of the financial services being provided by the BC to the customers

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Importance of Financial Services provided by BCs	880	3.5009	.61135	.02061

One-Sample Test

	Test Value = 3		
	t	df	Sig. (2-tailed)
Importance of Financial Services provided by BCs	24.308	879	.000

Interpretation

Since mean satisfaction=3.5 which is > 3 (average satisfaction in a range of 1 to 5) and $t=24.308$ with $P=0.000$ i.e. < 0.001 , we will reject H_0 and conclude that the financial services being provided by the BCs are very important for the BC Customers.

Table 1.20. Descriptive Statistics on the Importance of the financial services being provided by the BC to the customers

Importance of Financial Services provided by BCs	N	Mean	Std. Deviation
Bank a/c	880	3.96	.203
Debit/Credit card	880	3.61	.679
Financial Literacy	880	3.44	.799
Investment advice	880	3.36	.848
Financial counselling	880	3.36	.850
Small personal loan	880	3.27	.907

Interpretation

From the descriptive statistics, one can infer that among the bouquet of financial services being provided by the BCs, the servicing of their Bank a/c is the most important financial service that a BC Customer avails from the BC and Small personal loan is the least important service that the BC Customer avails from the BC.

Conclusion:

It is imperative to challenge the flourishing business of the local moneylenders who lend money at very high-interest rates but are popular among the localities. People in unbanked areas would sign up for basic services with BC viz. deposits and withdrawals but when it comes to loans, advances, and investments they approach these local moneylenders for their financial requirements primarily on account of the following factors discouraging them to approach the Bank: Known person, trust & faith, minimal/no documentation /paperwork, immediate provision of funds. Moreover, investments are on the last priority list of such masses due to the paucity of funds, and investments as a savings product are not understood by them.

1.8.2. Hypothesis 2

H0: The Customers are not highly satisfied with the BC services being provided to them
H The Customers are highly satisfied with the BC services being provided to them.

Table 1.21. T Test for the overall satisfaction of the sample BC Customers with the services and products available with the BC

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Overall Satisfaction with BC Services	880	4.5487	.63137	.02128

One-Sample Test

	Test Value = 3		
	t	df	Sig. (2-tailed)
Overall Satisfaction with BC Services	72.766	879	.000

Interpretation

Since mean satisfaction=4.55 which is > 3 (average satisfaction in a range of 1 to 5) and t=72.766 with P=0.000 i.e. < 0.001, we will reject the null hypothesis and conclude that the overall satisfaction level of the BC customer is high in respect of the banking services being availed from the BC.

Table 1.22. Descriptive Statistics for the overall satisfaction of the sample BC Customers with the services and products available with the BC

Satisfaction with services provided by your BC	N	Mean	Std. Deviation
Integrity of the BC	880	4.59	.651
Allowing deposits/Withdrawal of Cash from the account as per Customer's convenience	880	4.57	.659
Providing Proof of transaction for and every transaction	880	4.57	.661
BC help for subsequent bank transactions also	880	4.56	.668
BC support for transacting with the Bank for the first time	880	4.55	.678
Creating awareness about the Savings and other products	880	4.53	.660
Supporting in filing up of loan applications/account opening forms for deposits	880	4.52	.702
Education on managing money and debt counselling	880	4.49	.698

Interpretation

From the descriptive statistics one can infer that the satisfaction level of the BC Customer pertaining to the gamut of products and services being provided by the BC, the satisfaction level is the highest in terms of Integrity of the BC and is lowest in terms of education on managing money and debt counselling.

Conclusion:

The success of the BC Model lies in the integrity of the concerned BC. This implies that the local Janta will sign up with the said BC provided the concerned person is from amongst them and known in the neighbourhood and looked upon with respect i.e. the said person should command the trust and respect of the localities for a successful BC business proposition.

1.8.3. Hypothesis 3

H₀ : There is no significant association between the importance given by the BC Customer to the various banking facilities being provided by the BCs and their Gender.
 H₁ : There is a significant association between the importance given by the BC Customer to the various banking facilities being provided by the BCs and their Gender.

Table 1.23. T-Test for association between the importance given by the BC Customer to the various banking facilities being provided by the BCs and their Gender.

Group Statistics

Importance of	Q2. Gender	N	Mean	Std. Deviation	Std. Error Mean
Bank a/c	Male	546	3.95	.213	.009
	Female	334	3.96	.186	.010
Small personal loan	Male	546	3.25	.900	.039
	Female	334	3.30	.918	.050
Debit/Credit card	Male	546	3.61	.677	.029
	Female	334	3.61	.683	.037
Financial counselling	Male	546	3.35	.856	.037
	Female	334	3.39	.841	.046

There is no significant association between the importance given by the BC Customer to the various banking facilities being provided by the BCs and their Gender.

: There is a significant association between the importance given by the BC Customer to the various banking facilities being provided by the BCs and their Gender.

Investment advice	Male	546	3.35	.852	.036
	Female	334	3.39	.841	.046
Financial Literacy	Male	546	3.44	.792	.034
	Female	334	3.46	.811	.044

Table 1.24. Independent samples test for association between the importance given by the BC Customers to the various banking facilities being provided by the BCs and their Gender.

	t-test for Equality of Means		
	t	df	Sig. (2-tailed)
Bank a/c	-.827	878	.408
Small personal loan	-.875	878	.382
Debit/Credit card	-.019	878	.985
Financial counselling	-.729	878	.466
Investment advice	-.751	878	.453
Financial Literacy	-.346	878	.730

Interpretation

Since all P-values (Sig) are > 0.05 there is no significant difference between males and females about the importance being given to different services being provided by the BCs,. Irrespective of their gender both male and female customers give more importance to Savings Bank accounts and the least importance to small personal loan accounts as the prime objective of a BC customer is to satisfy his basic banking needs of deposits and withdrawals. There is a lot of scope for the BCs to motivate these customers to channel their ideal resources into savings.

Conclusion:

Irrespective of the gender of the BC Customer, the most common product/service availed through the BC Channel is only a Bank Account. In order to sustain his BC business, it is imperative that apart from CASA products, he should concentrate also on other add on services to his customers viz. Financial counselling, financial literacy, Investment advice, selling of debit and credit cards and last but not the least sourcing loans and advances.

1.8.4. Hypothesis 4

H ₀ : There is no significant difference between the satisfaction level of the BC Customer for the various services being provided by the BCs and their Gender.
H ₁ : There is significant difference between the satisfaction level of the BC Customer for the various services being provided by the BCs and their Gender.

Table 1.25. T-Test for significance between the satisfaction level of the BC Customer for the various services being provided by the BCs and their Gender.

Satisfaction with services provided by your BC	Gender	Group Statistics			
		N	Mean	Std. Deviation	Std. Error Mean
Creating awareness about the Savings and other products	Male	546	4.53	.658	.028
	Female	334	4.54	.664	.036
Education and managing money and debt counselling	Male	546	4.49	.691	.030
	Female	334	4.49	.709	.039
Supporting in filing up of loan applications/account opening forms for deposits	Male	546	4.51	.707	.030
	Female	334	4.54	.695	.038
Allowing deposits/Withdrawal of Cash from the account as per Customer's convenience	Male	546	4.56	.670	.029
	Female	334	4.59	.641	.035
Providing Proof of transaction for and every transaction	Male	546	4.57	.669	.029
	Female	334	4.58	.647	.035
BC support for transacting with the Bank for the first time	Male	546	4.54	.682	.029
	Female	334	4.57	.671	.037
BC help for subsequent bank transactions also	Male	546	4.55	.681	.029
	Female	334	4.58	.647	.035
Integrity of the BC	Male	546	4.58	.656	.028
	Female	334	4.60	.644	.035

Table 1.26. Independent Samples Test for significance between the satisfaction level of the BC Customer for the various services being provided by the BCs and their Gender.

	t-test for Equality of Means		
	t	df	Sig. (2tailed)
Creating awareness about the Savings and other products	-.355	878	.723
Education and managing money and debt counselling	-.028	878	.978
Supporting in filing up of loan applications/account opening forms for deposits	-.623	878	.533
Allowing deposits/Withdrawal of Cash from the account as per Customer's convenience	-.536	878	.592
Providing Proof of transaction for and every transaction	-.220	878	.826
BC support for transacting with the Bank for the first time	-.645	878	.519
BC help for subsequent bank transactions also	-.558	878	.577
Integrity of the BC	-.428	878	.669

Interpretation

Since all P-values (Sig) are > 0.05, the null hypothesis is accepted and there is no significant difference between a male and a female BC Customer about the satisfaction level of various services being provided by the BCs.

1.8.6. Hypothesis 6

H ₀	: There is no significant difference between the type of accounts maintained by the BC Customers with the BC and their Age.
H ₁	: There is a significant difference between the type of accounts maintained by the BC Customers with the BC and their Age.

Table 1.27. Custom Tables for a significance between the type of accounts maintained by the BC Customers with the BC and their Age.

Type of Bank Accounts	Age Group					
	< 18 Years	18-24	25-40	41-60	Above 60	Total
Saving A/c.	17	241	410	167	20	855
Current A/c.	1	6	15	2	0	24
RD A/c.	0	0	0	0	0	0
FD A/c.	0	0	8	7	0	15
Other	0	0	1	4	0	5
None	0	0	2	1	0	3
Total	18	247	423	172	20	880

Table 1.28. Pearson Chi-Square Tests for significance between the type of accounts maintained by the BC Customers with the BC and their Age.

Type of Bank Accounts	Age Group	
	Chi-square	29.258
df	20	
Sig.	.083 ^{a,b}	

Results are based on nonempty rows and columns in each innermost sub table.

- More than 20% of cells in this sub table have expected cell counts less than 5. Chi-square results may be invalid.
- The minimum expected cell count in this sub table is less than one. Chi-square results may be invalid.

Interpretation

Since Asymp. Sig (P value = 0.083), is > than 0.05, the Null Hypothesis is accepted and we conclude that there is no significant difference between no significant difference between the type of accounts maintained by the BC Customers with the BC and the customer's age

1.3.7. Hypothesis 7

H ₀	: There is no significant difference between the type of accounts maintained by the BC Customers with the BC and their Educational level.
H ₁	: There is significant difference between the type of accounts maintained by the BC Customers with the BC and their Educational Level.

Table 1.29. Custom Tables for significance between the type of accounts maintained by the BC Customers with the BC and the level of their educational qualification.

Type of Bank Accounts	Education Qualification						
	Illiterate	Literate but below Class V	Literate but below Class X	Class X and above	Graduate and above	Others (Please Specify)	Total
Saving A/c.	63	79	215	347	147	4	855
Current A/c.	1	1	5	14	3	0	24
RD A/c.	0	0	0	0	0	0	0
FD A/c.	0	1	0	7	7	0	15
Other	0	0	0	2	3	0	5
None	0	0	1	0	1	1	3
Total	64	79	221	360	151	5	880

Table 1.30. Pearson Chi-Square Tests for significance between the type of accounts maintained by the BC Customers with the BC and the level of their educational qualification.

Type of Bank Accounts	Education Qualification	
	Chi-square	91.869
	df	25
	Sig.	.000*,b,c

Results are based on nonempty rows and columns in each innermost sub table.

*. The Chi-square statistic is significant at the .05 level.

b. More than 20% of cells in this sub-table have expected cell counts less than 5. Chi-square results may be invalid.

c. The minimum expected cell count in this sub-table is less than one. Chi-square results may be invalid.

Interpretation

Since (P value is 0.000) < 0.05, the null hypothesis is rejected and we conclude that there is a significant difference in type of account between the educational categories. Education level of the prospective customer/applicant plays a key role in the nature of products and services he or she is willing to sign off. For instances, a customer who has at least studied till high school can understand the benefits of term deposits, recurring deposits vis a vis a normal Savings Bank account and may also sign up for current accounts to support and justify his banking requirements of self-occupancy/business. This indicates that financial literacy is a very important aspect and key for inclusive growth.

Table 1.31. Comparisons of Column Proportions for significance between the type of accounts maintained by the BC Customers with the BC and the level of their educational qualification.

Type of Bank Accounts	Education Qualification					
	Illiterate	Literate but below Class V	Literate but below Class X	Class X and above	Graduate and above	Others (Please Specify)
	(A)	(B)	(C)	(D)	(E)	(F)
Saving A/c.		.a				
Current A/c.						.a
RD A/c.	.a	.a	.a	.a	.a	.a
FD A/c.	.a	.a	.a			.a
Other	.a	.a	.a			.a
None	.a	.a		.a		C E

Results are based on two-sided tests with a significance level of .05. For each significant pair, the key of the category with the smaller column proportion appears under the category with the larger column proportion.

a. This category is not used in comparisons because its column proportion is equal to zero or one.

b. Tests are adjusted for all pairwise comparisons within a row of each innermost sub-table using the Bonferroni correction.

1.3.8. Hypothesis 8

H₀: There is no significant difference between the type of accounts maintained by the BC Customers with the CSP and their aggregate monthly income.

H₁: There is significant difference between the type of accounts maintained by the BC Customers with the CSP and their aggregate monthly income.

Table 1.34. Custom Tables for significance between the type of accounts maintained by the BC Customers with the BC and their aggregate monthly income.

Type of Bank Accounts	Aggregate Monthly Income					Total
	No regular Income	Up to Rs.5,000	Up to Rs.10,000	Up to Rs.20,000	More than Rs.20,000	
	Count	Count	Count	Count	Count	
Saving A/c.	366	111	223	86	69	855
Current A/c.	15	2	3	2	2	24
RD A/c.	0	0	0	0	0	0
FD A/c.	1	0	0	5	9	15
Other	2	0	1	0	2	5
None	0	2	1	0	0	3
Total	381	115	226	88	70	880

Table 1.35. Pearson Chi-Square Tests for significance between the type of accounts maintained by the BC Customers with the BC and their aggregate monthly income.

Type of Bank Accounts	Chi-square	Monthly Income
		95.752
	df	20
	Sig.	.000*,b,c

Results are based on nonempty rows and columns in each innermost sub-table.

*. The Chi-square statistic is significant at the .05 level.

b. More than 20% of cells in this sub-table have expected cell counts less than 5. Chi-square results may be invalid.

c. The minimum expected cell count in this sub-table is less than one. Chi-square results may be invalid.

Interpretation

Since (P value is 0.000) < 0.05, the null hypothesis is rejected and we conclude that there is a significant difference in type of account maintained by the BC Customers with the BC and their aggregate monthly income. This hypothesis clearly indicates that in addition to financial literacy, the ability and willingness of the underbanked is also important. Savings and Investments can happen only if a regular or consistent flow of income is available at their disposal to avail services apart from basic SB Account.

1.9. FINDINGS

Financial Inclusion is an important parameter for the socio and economic development of any economy. Every nation especially the underdeveloped and developing countries strive hard towards an inclusive growth in order to alleviate poverty and improve the standard of living of their citizens.

Our Nation's target of achieving a 100% financial inclusion is possible only if all the stakeholders like the Regulators, Banks and Financial Institutions, Technology providers join hands and frame policies and innovate in the sphere of Financial Inclusion to include the downtrodden, vulnerable, low-income, unbanked and underserved population of the country

The major contributing factors for an inclusive growth are geographical penetration of the bank branches, digitalization of the financial services, leveraging the advanced technology and promoting the BC Model towards the said goal. The BC Channel is the most important tool for an efficient and effective tool to reach and serve the last mile.

The BC Model for financial inclusion, where the Kiosk banking technology is being adopted, was studied in the urban slums of Mumbai. It was interesting to know that most of the people, specially the young and educated lot had adopted the BC model for availing the banking services.

The BC and the CSPs located in the slums areas of Mumbai were very much comfortable with the technology and the internet connectivity was also decent enough for a continuous and seamless banking. However, the sever issues faced was creating problems for these BCs to scale up their operations. Hence the business brought in by the BCs so far was insignificant.

The Income generation from the BC business alone was not sufficient enough for the BCs to have a decent living. Hence, they were forced to explore other business opportunities along with BC business like Travel and Tourism business, Ticketing Business, Insurance business, Money Transfers etc. The major banking activities that were being handled by the BCs was Cash in and Cash Out with very little focus on the asset products and the cross selling of the third-party products where the revenue structure was quite attractive.

Customers banking through the BC channel were of the opinion that the Financial and Banking services being provided by the BCs were very important for them. Customers were happy that they were being provided with banking services at their places of stay through BCs and they expressed satisfaction on the services rendered by the BCs. However, they were reluctant to pay charges to the Bank for their transactions done through this channel.

The excluded people who were not having a bank account exhibited curiosity in opening accounts with the help of BCs which showed the vast potential available in those unbanked or under-banked locations.

In most of the cases, the Branch Managers of the linked branches were content about the BC model, but as the involvements from the BCs were quite varied, they were unable to judge the BC performance in an objective manner.

There are various factors which intentionally or otherwise have forced the BCs to quit the BC business or shift it from primary line of business to secondary line of business-

- a) BC do not get any special or preferential treatment from the Banks.
- b) The Bank staff treats the BC as any other customers
- c) The BC is treated as a competitor or business rival by the Bank staff
- d) Bankers do not extend any credit or TOD facility to the BCs
- e) BC has to pay upfront margin to the linked branch to run his/her business on a continuous basis.

It has been observed that the BCs who are enabled with a broader product mix are able to earn better income. On an average a CSP with an established BC, with a good track record is able to earn a net income of Rs.15000 to Rs.20000 exclusively from the BC business in Mumbai. However, an agent with a start-up BC earns Rs.5000 – Rs.8000 per month. The BC channel should offer different product baskets to different customers depending on the financial needs and suitability. Products baskets according to local requirements and relevance ensures continuous access for the customer consequently enabling the BC to have a viable and sustainable business proposition.

Agent attrition levels are in the range of 30 percent to 50 percent on an annual basis as in Mumbai, there are variety of options available for BC to switch. High-level attrition among the BC network leads to massive trust and service deficit amongst the customers.

Majority of the transactions done by the BCs/CSPs in Mumbai circle are remittance on account of the huge migrant population. Lack of interoperability of accounts is a major barrier for the account holders to access their accounts in an effective and seamless manner.

Although mobile phones have been the love of many people all around the world, the people are certainly oblivious or aren't literate enough to use it for mobile banking transactions.

As most of the people living in slums of Mumbai are daily wage laborers, helpers in offices/shops or auto-rickshaw/taxi drivers, they are unable to spare adequate time to operate their accounts which acts as an impediment for operating their bank accounts.

1.10. CONCLUSION:

Today, Correspondent banking has become one of the most promising strategies for offering financial services in emerging markets. In this model, financial institutions work with networks of existing nonbank retail outlets to deliver financial services. This approach can be especially powerful when serving the unbanked poor because of its ability to reduce banks' cost-to-serve and reach low-income workers where they live. For financial inclusion to succeed, it must be a business proposition for everyone involved. The success of financial inclusion depends largely on developing products/solutions that directly address those specific needs. The financially excluded consumers have certain unique characteristics such as low financial literacy, low and cyclical income, minimal collateral, lack of credit history, illiteracy, etc. These need to be taken care of while designing products and services for them. BCs at the village level and urban slum level need to be strengthened to take up the feasible and financially viable business of financial inclusion. Financial inclusion is more than a policy imperative; it represents a huge opportunity for banks. Making the financially excluded persons financially capable and providing those with customized feasible products would be the road ahead for financial inclusion. The BC model is a regulator-led effort to address the lack of financial services to the low-income group. BC Model should shift from a social add-on model to a sustainable business model. On account of low-value transactions, many times the cost of service delivery by the BC exceeds their income. All banks should adopt the Balance-based model in which the BC earnings are directly linked to the overall balance lying in the customer's account. This will motivate the BCs to offer better services and financial education to their customers. The path to BC sustainability is slower and less predictable. Clients who demand a one-time transaction like remittance, time deposits, etc. can help the BC to achieve rapid sustainability. The BC industry has played a significant role in driving financial inclusion to the last mile -- be it Jan Dhan Yojana, Benefit Schemes/Payments or Covid-19 cash relief. There is, however, a dire need to significantly expand the scope of digital financial services and address key challenges to make the industry self-reliant, more efficient, effective, and impactful. Financial inclusion is critical for building a more just and equitable society. Achieving this goal involves not only expanding access to financial services but also addressing the underlying structural issues that perpetuate financial exclusion. It requires a fundamental shift in the way the financial systems operate.

References

1. "Pushing Financial Inclusion – Issues, Challenges and Way Forward" A Presentation by Dr. K.C.Chakrabarty Deputy Governor, RBI at 20th SKOCH Summit 2009, Mumbai on July 17, 2009
2. Speech by Smt. Usha Thorat, Deputy Governor of the Reserve Bank of India at the 4th Programme on Human Development and State Finances jointly organised by College of Agricultural Banking, Reserve Bank of India, UNDP and the Planning Commission, at CAB, Pune on January 16, 2006
3. Article by Shri. V. LEELADHAR, Deputy Governor of the Reserve Bank of India in Reserve Bank of India Bulletin, January 2006 edition on the topic of "Taking Banking Services to the Common Man -Financial Inclusion".
4. Atul B Kathole, Dr.Prasad S Halgaonkar, Ashvini Nikhade, " Machine Learning & its Classification Techniques, "International Journal of Innovative Technology and Exploring Engineering (IJITEE) ISSN: 2278-3075, Volume-8 Issue-9S3, July 2019.
5. Speech delivered by Smt. Usha Thorat, Deputy Governor, Reserve Bank of India at the HMT-DFID Financial Inclusion Conference 2007 on June 19, 2007 at Whitehall Place, London, UK

6. Atul Kathole , Dinesh Chaudhari “Securing the Adhoc Network Data Using Hybrid Malicious Node Detection Approach”, Proceedings of the International Conference on Intelligent Vision and Computing (ICIVC 2021) pp 447–457 © 2022 The Author(s), under exclusive license to Springer Nature Singapore Pte Ltd.
7. K. N. Vhatkar and G. P. Bhole, “Optimal container resource allocation in cloud architecture : A new hybrid model,” Journal of King Saud University - Computer and Information Sciences, vol. 34, no. 5, pp. 1906–1918, 2022, doi: 10.1016/j.jksuci.2019.10.009.
8. K. N. Vhatkar and G. P. Bhole, “Particle swarm optimisation with grey wolf optimisation for optimal container resource allocation in cloud,” IET Networks, vol. 9, no. 4, pp. 189–199, 2020, doi: 10.1049/iet-net.2019.0157.
9. K. N. Vhatkar and G. P. Bhole, “Improved rider optimization for optimal container resource allocation in cloud with security assurance,” International Journal of Pervasive Computing and Communications, vol. 16, no. 3, pp. 235–258, 2020, doi: 10.1108/IJPCC-12-2019-0094.
10. OECD. (2005). OECD SME and entrepreneurship outlook: 2005 edition. Retrieved from <http://www.oecd.org/cfe/smes/oecdsmehandentrepreneurshipoutlook-2005edition.htm> OECD. (2017). Entrepreneurship at a Glance 2017. Retrieved from https://doi.org/10.1787/entrepreneur_aag-2017-en Pal, R., & Pal, R. (2012). Incomerelated inequality in financial inclusion and role of banks: Evidence on financial exclusion in India. Retrieved from <http://www.igidr.ac.in/pdf/publication/WP-2012013.pdf> Perez, A., & Bosque, I. R. (2015). An integrative framework to understand how CSR affects loyalty through identification, emotions, and satisfaction. Journal of Business Ethics, 129, 571–584. Retrieved from <https://doi.org/10.1007/s10551-0142177-9> Perez, A., Rodriguez, I., & Bosque, D. (2014). Customer CSR expectations in the banking industry. International Journal of Bank Marketing, 32(3), 223–244. Retrieved from <https://doi.org/10.1108/IJBM-09-2013-0095> PMJDY. (2019). Pradhan Mantri JanDhan Yojana. Department of Financial Services, Ministry of Finance, Government of India. Retrieved from <https://pmjdy.gov.in/> Prahalad, C. K. (2005). Fortune at the bottom of the pyramid: Eradicating poverty through profits. Retrieved from <https://doi.org/10.1017/CBO9781107415324.004> Pratihari, S. K., & Uzma, S. H. (2018). Corporate social identity: An analysis of Indian banking sector. International Journal of Bank Marketing, 36(7), 1248–1284. Retrieved from <https://doi.org/10.1108/IJBM-03-2017-0046> Pratihari, S. K., & Uzma, S. H. (2019). A survey on bankers’ perception of corporate social responsibility in India. Social Responsibility Journal. Retrieved from <https://doi.org/10.1108/SRJ-11-2016-0198> Rajan, R. G., .rbi.org.in/ scripts/PublicationsView.aspx?id=10494
13. Atul B Kathole, Dr.Dinesh N.Chaudhari, "Pros & Cons of Machine learning and Security Methods, "2019.<http://gujaratresearchsociety.in/index.php/JGRS>, ISSN: 0374-8588, Volume 21 Issue 4
14. Singh, C., Mittal, A., Goenka, A., Goud, C. R. P., Ram, K., Suresh, R. V., ... Kumar, U. (2014). Financial inclusion in India: Select issues (No. 474). Retrieved from https://www.iimb.ac.in/sites/default/files/2018-07/WP_No_474.pdf SLBC. (2019). Lead bank district-wise. UCO Bank. Retrieved from <https://slbcorissa.com/lead-banks-districtwise/> The World Bank. (2014). Financial inclusion data. Retrieved from <http://datatopics.worldbank.org/financialinclusion/country/India> The World Bank. (2018). UFA2020 overview: Universal financial access by 2020. Retrieved from https://www.worldbank.org/en/topic/financial_inclusion/brief/achieving-universalfinancial-access-by-2020