

AN EVALUATION OF THE EFFECTIVENESS OF THE BANKING CORRESPONDENTS MODEL IN FINANCIAL INCLUSION STRATEGIES OF BANKS

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ABSTRACT

The banking sector is the section of the economy devoted to the holding of financial assets for others, investing those financial assets as leverage to create more wealth, and the regulation of those activities by government agencies. In the Indian context, the term 'Financial Inclusion' was used for the first time in April 2005 in the Annual Policy Statement presented by Y.Venugopal Reddy, the then Governor, Reserve Bank of India. Later on, this concept gained ground and came to be widely used in India and abroad. While recognizing the concerns in regard to the banking practices that tend to exclude rather than attract vast sections of population, banks were urged to review their existing practices to align them with the objective of financial inclusion.

The positive impact of financial inclusion is wide-spread across the globe. Most of the literature on banking sector outreach focus on its effect through cross-country evidence. The most effective model used by banks in financial inclusion is the Business Correspondents Model. Business Correspondents are retail agents engaged by banks for providing banking services at locations other than a bank branch/ATM and to ensure a closer relationship between poor people and the organized financial system. In other words, the business correspondent is nothing but a bank-in-person, who is authorised to collect small ticket deposits and extend small credit on behalf of the banks. RBI has permitted various individuals/entities that the banks may engage as Business Correspondents. Business

Correspondent Agents (BCAs) are the individuals appointed by the Business Correspondents at the point of customer interface or retail outlet of a bank.

The objective was to aid the process of financial inclusion and consequently take banking to the remotest areas of the country and make them bankable. So far, banks have covered 74,199 (99.7 percent) out of 74,414 such villages. This study is an attempt to analyse the effectiveness of the Business Correspondents in providing the rural masses with banking products and thus increasing financial literacy among them.

1.1 INTRODUCTION

"Financial inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income group". Business's correspondents are bank representatives who help villagers to open bank accounts and help villagers in banking transactions (deposit money, receive subsidies, withdraw out of savings account, loans etc.). They are called different names like Bank Mitra, Business Banking Correspondents and so on. As the majority of the rural population is still not included in the inclusive growth, the concept of financial inclusion becomes a challenge for the Indian economy.

The issue of financial inclusion of the poor and the evolution of digital payment platforms in India is at a critical juncture. Banking correspondents and networks have emerged over the last decade as the key players in the Mobile Financial Services (MFS)/ branchless banking sector with the aim to provide financial services to the unbanked. Reserve Bank of India (RBI) has specifically created regulations around the Banking Correspondent model with an objective to ensuring greater financial inclusion and increasing the outreach of banking services. However the market is still highly fragmented and a viable business model offering a full suite of financial services across the country has not developed, indicating a challenging evolution. Despite evolving regulations and Banking Correspondents internal challenges in implementing the mandates, the banking correspondent aggregator model still has the potential for success. The BC solution can provide economies of scale and the opportunity to deliver a range of different valuable services – "financial services shopping basket"- to a largely undeserved population in a cost- effective manner.

This study aims at evaluating the effectiveness of the BC model of public sector banks in financial inclusion in Karnataka.

1.2 REVIEW OF LITERATURE

- According to Usha Thorat in the article, “Banking correspondent is the only model to increase financial inclusion in Economic Times”. According to it a branch cannot be sustainable in those 70000 rural locations where the population is at least 2000 is unbanked. Because of this they may have to travel miles to go to the nearest bank. Whereas with the doorstep service wages are accessed easily and money is saved. She stated that business correspondents go to very interior places where brick and mortar branches of banks cannot be set up as it won’t be operationally feasible for them.
- According to Devika Banerji and Dheeraj Tiwari in the article, “Bank correspondent model for NREGA closer to reality, in Economic Times”. According to it the government has been exploring the possibility of using bank correspondents to make payments to beneficiaries of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) since 2009, but the concept remained largely on paper as there was no clarity on who should bear the cost of implementing the model – banks or the government.
- According to M.Rajshkhar in the article, “Before committing to the banking-correspondent model, we need to thrash out the economics”. According to it travelling down to the field and seeing the people struggling, given the low fees, villagers do not want to become Banking Correspondents. The payment is made through the Banking Correspondents, the employment records are still created by the sarpanch. So, corruption will not vanish entirely. At best, ghost workers will be excised from the rolls.
- According to ET Bureau in the article, “The banking Correspondent model has its weaknesses”. According to it villagers can access their account only where their bank’s BC has a presence. Where transactions are not updated real-time between the BC agent and the BC server, villagers can bank only with the agent. The last few years has seen new BC’s cut-throat competition, helped by banks awarding BC contracts to the cheapest bidders is underway.
- According to Sumita Kale in the article “Progress of direct cash transfers will hinge on solving issues in extending banking outreach”, there has been a significant expansion of banking correspondents (BC) over last 4 years; BCs now account for over 80% of the bank presence in villages. On 31st March 2012 there was banking

presence in just 1.47lakh villages of the country's 5.93lakh inhabited villages. It is all fine to open up the space to increasing BC presence, but lack of clarity in the process and statements from different ministries complicates operations for banks that would ultimately bear the key responsibility.

1.3 NEED FOR STUDY

The implementation of the RBI regulations with regard to Banking Correspondent model was done from the year 2010 onwards. Thus the research on an evaluation of the BC model has not much precedence whatsoever. More so there is no such research done on banking correspondents in Dakshina Kannada district. Thus this study has a lot of significance as it evaluates the effectiveness of the BC model in financial inclusions programmes of banks.

1.4 STATEMENT OF THE PROBLEM

Although Bank Correspondent model shows great promise and holds potential to cater the financial needs of the rural unbanked population, the experiences are still mixed. Similarly, RBI annual report observes, despite the efforts of the banks to provide training to BC staff, the capacity for internalizing new technologies, new products and systems remain a big challenge. From the business correspondent's perspective, it is pointed out that mobilizing communities for accessing financial services, particularly savings, became a big challenge for them. With regard to the operational aspects, it observes that the handling of a large amount of cash is risky. Since the BCs often operate in isolation, there are high chances of fraud and misappropriation. Due to the absence of appropriate technology, BCs face problems in finger print storage and retrieval needs. There are also other challenges with regard to internet connectivity, distances covered by the BC and accessibility to remote areas. Thus it is imperative to know the practical problems faced by the banks and the BCs to provide banking facilities to the rural masses.

1.5 OBJECTIVES:

- To evaluate the effectiveness of working of the banking correspondents.
- To find out the banking products used by rural people distributed by banking correspondents.
- To measure the degree of financial inclusiveness in Dakshina Kannada

1.6 SCOPE OF STUDY

This study is restricted to business banking correspondents of Dakshina Kannada district only. The study is restricted to BCs of five banks, Corporation Bank, Canara Bank, Vijaya Bank, State Bank of Mysore and Syndicate Bank which have their Head Offices in Karnataka and State Bank of India which is the lead bank in financial inclusion and rural banking. It focuses only on the working of banking correspondents and does not cover the other strategies employed by banks in financial inclusions

1.7 HYPOTHESIS

There is no optimum utilisation of banking products distributed by banking correspondents among the rural people.

1.8 METHODOLOGY

Primary data: A Sample Size of 50 respondents are taken by questionnaire method and interview method.

Secondary data: Information was collected from: online, journals, articles.

1.9 SAMPLING TECHNIQUE

Simple random sampling is taken for the collection of the sample. SPSS software has been used as a statistical tool for the data analysis. The data was analysed by the following research tools they are - Percentage analysis, Chi-square test, Fishers Exact Test, Correlation.

1.10 LIMITATION OF STUDY

- Lack of cooperation from rural people.
- Limited sharing of information due to lack of trust.

Business Correspondents/ Banking Correspondents/ Banking Mithra

Business Correspondents are retail agents engaged by banks for providing banking services at locations other than a bank branch/ATM and to ensure a closer relationship between poor people and the organized financial system. In other words, the business correspondent is

nothing but a bank-in-person, who is authorised to collect small ticket deposits and extend small credit on behalf of the banks. A BC also does the following activities:

- Recovering the principal interest of small value deposits
- Sale of micro insurance products
- Selling mutual fund products
- Selling Pension products
- Receipt and delivery of small value remittances/other payment instruments.

RBI has permitted various individuals/entities that the banks may engage as Business Correspondents. Business Correspondent Agents (BCAs) are the individuals appointed by the Business Correspondents at the point of customer interface or retail outlet of a bank.

Objectives of the BC Model

The objective was to aid the process of financial inclusion and consequently take banking to the remotest areas of the country and make them bankable. So far, banks have covered 74,199 (99.7 percent) out of 74,414 such villages.

Appointment of BCs .

- Must be a permanent resident of the area in which they propose to operate.
- They should be well established, enjoy good reputation and have the confidence of the local people.
- The ability of BCs to invest in POS machines and other equipments. · In case of individuals selected as BCs, the criterion are as under
 - A minimum education qualification of Xth pass.
 - Field Investigation /RCU for verification of residence and dealings, etc. to be conducted. Credibility check – A/c with any other bank.
 - Should open account with IDBI Bank (base branch)
 - Suitable amount of Security deposit /Bank guarantee based on business volumes.

Scope of Activities to be undertaken by BCs

The scope of activities undertaken by BCs are as under:

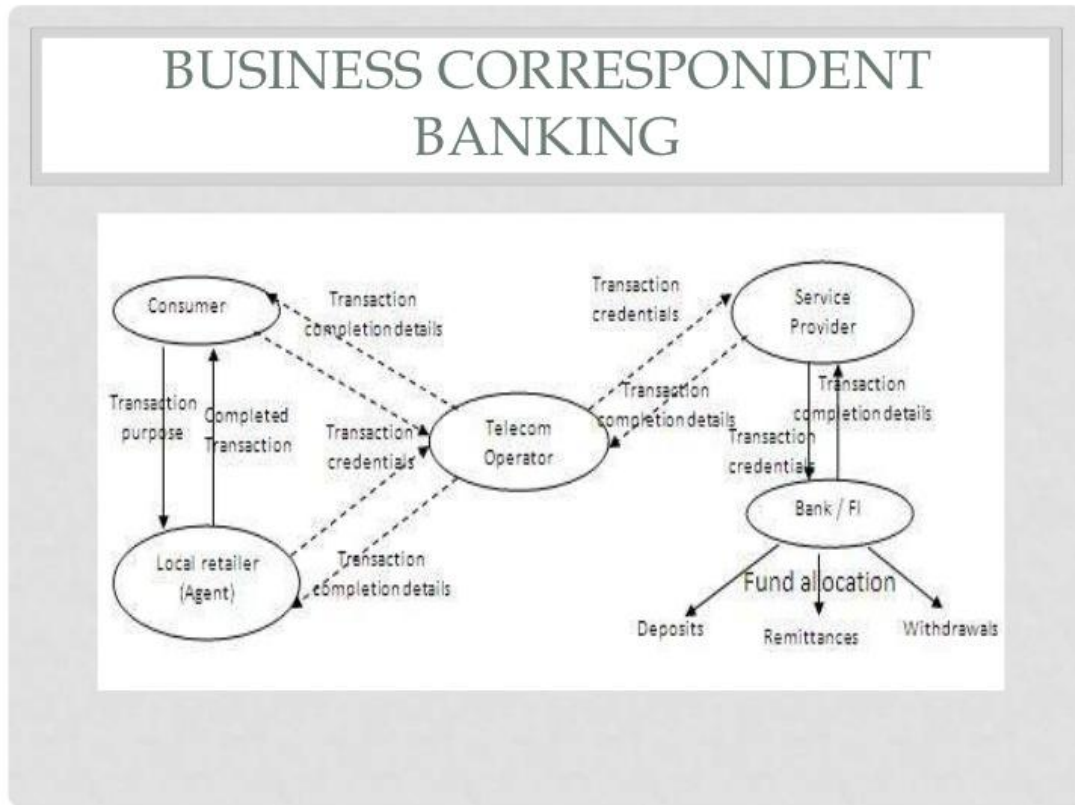
- ❖ Creating awareness about savings and other products and education and advice on managing money and debt counselling.
- ❖ Identification of potential customers

- ❖ Collection and preliminary processing of various forms for deposits including verification of primary information / data
- ❖ Filling of applications / account opening forms including nomination clause and submission to the Bank.
- ❖ KYC will also be completed by the BCs.
- ❖ Opening of no frill deposit accounts and other products as permitted from time to time by leveraging technology.
- ❖ Collection and payment of small value deposits and withdrawals; Min: nil; Max: Rs. 2000/- per transaction.
- ❖ Receipt and delivery of small value remittances / other payment instruments, as per FI Plan of IDBI Bank.
- ❖ In respect of all such transactions, the BC/his agent will be authorized to accept / deliver cash either at his place of work or at any convenient location subject to the ceilings per customer (Rs 2000/- in each case).
- ❖ Furnishing of mini account statements and other account information, for a period of 3 months.
- ❖ Any other service on behalf of the Bank, duly authorized by the appropriate authority.
- ❖ The activities undertaken by the Business Correspondents would be within the normal course of the Bank's banking business, but conducted through and by the entities at places other than the Bank's premises.
- ❖ In respect of all such transactions, the BC/his/her agent will be authorized to accept / deliver cash either at his place of work or at any convenient location subject to the ceilings per day / per customer as laid down. The Business Correspondents will be linked to a nearby branch (base Branch).
- ❖ Cross-selling of other financial products like insurance / mutual fund products / pension products / any other third party product, as and when they are assigned to do so.
- ❖ In case duly appointed sub-agents of BCs, BCs to take care of reputational risks involved.

Working of the Banking Correspondents

The Reserve Bank of India (RBI) has permitted all business correspondents (BCs) or representative of any one particular bank to conduct business for other banks as well. This

so called “interoperability” system has been allowed at the retail outlets which is the point of customer interface. Business correspondent authorised by a bank would now be able to offer services like cash transactions to customers of other banks if the lender doesn’t have a branch of the same bank.



Data Analysis and Interpretations

The following is the analysis of data collected from 50 Banking Correspondents in the Dakshina Kannada District.

Descriptive

Parameters	N	Median	IQR	Minimum	Maximum
level of competition	50	3 (Nil)	1	1	3
Nature of expense in terms of Travelling	50	1 (< 1000)	0.25	1	4
Nature of expense in terms of Stationary	50	1 (< 1000)	0	1	2

monthly income earn as BM	50	3(3000-5000)	1	1	6
is your income fixed under BM	50	1(Yes)	1	1	2
No of years as BC	50	2(3-5 years)	2	1	4
No. of bank linkages	50	1(1)	0	1	4
No. of villages covered	50	1(1 to 3)	0	1	3
customers per village	50	2(250-350)	3	1	4
Distance Covered per day	50	1 (10kms)	0	1	3
No of customers per day	50	2 (5 to10)	2	1	5
volume of business transacted per day	50	4 (2000-5000)	2.25	1	7
Cash limit by you	50	2 (Just enough)	2	1	4
if no what is the coverage of households under PMJDY	50	3 (50 to 75%)	4	1	6
% of rural population who have bank accounts use services of Bank Mitra	50	3 (80 to 99%)	2	1	4
is your income fixed under BM	50	1(yes)	1	1	2
monthly income earn as BM	50	3(3000-5000)	1	1	6
Nature of expense in terms of Stationary	50	1(<1000)	0	1	2

Parameters	N	Mode	Range	Minimum	Maximum
Sex of the respondent	50	2(Female)	1	1	2
Occupation other	50	5(Any other)	5	1	6

than BC					
No. of days that you work per week	50	1(1 day)	3	1	4
Place of business	50	2(Panchayat Office)	4	1	5
Area of business	50	2(Village covered)	1	2	3
Other BC in the area	50	1(None)	2	1	3
Nature of services provided	50	20(opening SB account, Withdrawal from SB account, Transfer of cash, Deposit cash in ton SB account)	22	1	23
cash limit enough	50	2(Just enough)	2	1	3
help do you get from banks	50	5(Nothing)	5	1	6
motivates to work as BC	50	1(Social Service)	3	1	4
challenges or difficulties faced by you in functioning among BCs	50	1(Low salary)	8	1	9
incentives given to open new accounts	50	1(Commission)	3	1	4
main reasons why rural people does not open accounts under PMJDY	50	1(Lack of awareness)	4	1	5
Are all household covered under PMJDY	50	2(No)	1	1	2

Statistics

Age of the respondent

N	Valid	50
	Missing	0

Mean	39.42
Std. Deviation	9.258

CHI SQUARE TEST AND FISHER'S EXACT TEST

Hypothesis: Customers per village covered is independent of number of villages covered

Count		customers per village				Total
		less than 250	250-500	500-700	above 750	
No. of villages covered	1-3	20	11	3	8	42
	3-5	3	0	0	1	4
	5-10	0	0	0	4	4
Total		23	11	3	13	50

	Value	df	Asymp. Sig. (2-sided)	Sig.
Pearson Chi-Square	14.469	6	.025	.041
Likelihood Ratio	14.918	6	.021	.018
Fisher's Exact Test	10.282			.043
Linear-by-Linear Association	6.810	1	.009	.007
N of Valid Cases	50			

Phi value=0.538 ; $p < 0.05$

From Fisher's Exact Test it is very prominent that there exists a strong association (Fisher's Exact test value =10.282 with $p < 0.05$) between the Customers per village and the number of villages covered at 5% level of significance. Hence it is clearly evident that the number of customers covered in a village is strongly dependent on the number of villages covered.

Hypothesis: Customers attended per day is independent of number of villages covered

Count		No of customers per day					Total
		0-5	5-10	10-20	20-50	more than 50	
No. of villages covered	1-3	7	17	7	8	3	42

	3-5	0	1	1	0	2	4
	5-10	0	1	0	3	0	4
Total		7	19	8	11	5	50

	Value	df	Asymp. Sig. (2-sided)	Sig.
Pearson Chi-Square	15.908	8	.044	.042
Likelihood Ratio	13.849	8	.086	.089
Fisher's Exact Test	10.124			.092
Linear-by-Linear Association	3.719	1	.054	.062
N of Valid Cases	50			

From Fisher's Exact Test it is very prominent that there exists no association (Fisher's Exact test value =10.124 with $p > 0.05$) between the Customers attended per day and the number of villages covered at 5% level of significance. Hence it is clearly evident that the number of customers covered per day in a village is not dependent on the number of villages covered.

Hypothesis: Nature of services provided is independent of number of villages covered

	Value	df	Asymp. Sig. (2-sided)	Sig.
Pearson Chi-Square	26.489	24	.329	.365
Likelihood Ratio	22.752	24	.534	.229
Fisher's Exact Test	26.545			.300
Linear-by-Linear Association	.073	1	.787	.806
N of Valid Cases	50			

From Fisher's Exact Test it is very prominent that there exists no association (Fisher's Exact test value =26.545 with $p > 0.05$) between the nature of service provided and the number of villages covered at 5% level of significance. Hence it is clearly evident that the nature of services provided in a village is not dependent on the number of villages covered.

Hypothesis: Volume of the business is independent of the cash limit carried by them

Crosstab

Count		Cash limit by you				Total
		less than 500	5000-1000	10000-25000	25000-50000	
volume of business	less than 500	5	1	1	0	7

transacted per day	500	1	2	0	0	3
	1000-2000	5	4	1	0	10
	2000-5000	1	2	5	0	8
	5000-7000	2	4	3	1	10
	7000-10000	0	2	1	0	3
	Above 10000	1	3	3	2	9
Total		15	18	14	3	50

	Value	df	Asymp. Sig. (2-sided)	Sig.
Pearson Chi-Square	23.408 ^a	18	.175	.163
Likelihood Ratio	24.173	18	.149	.244
Fisher's Exact Test	19.523			.223
Linear-by-Linear Association	10.544 ^c	1	.001	.001
N of Valid Cases	50			

From Fisher's Exact Test it is very prominent that there exists no association (Fisher's Exact test value =19.523 with $p > 0.05$) between the volume of business and the cash limit carried by them at 5% level of significance. Hence it is clearly evident that the volume of business is not dependent on the cash limit carried by them.

Hypothesis: Volume of the business is independent of the households covered under PMJDY

Crosstab

Count		Are all household covered under PMJDY		
		Yes	No	Total
volume of business	less than 500	3	4	7
transacted per day	500	2	1	3
	1000-2000	1	9	10
	2000-5000	5	3	8
	5000-7000	2	8	10
	7000-10000	0	3	3
	Above 10000	4	5	9

Crosstab

Count		Are all household covered under PMJDY		
		Yes	No	Total
		volume of business transacted per day	less than 500	3
	500	2	1	3
	1000-2000	1	9	10
	2000-5000	5	3	8
	5000-7000	2	8	10
	7000-10000	0	3	3
	Above 10000	4	5	9
Total		17	33	50

	Value	df	Asymp. Sig. (2-sided)	Sig.
Pearson Chi-Square	9.990 ^a	6	.125	.119
Likelihood Ratio	11.264	6	.081	.136
Fisher's Exact Test	9.413			.119
Linear-by-Linear Association	.097	1	.755	.763
N of Valid Cases	50			

From Fisher's Exact Test it is very prominent that there exists no association (Fisher's Exact test value =9.413 with $p > 0.05$) between the volume of business and the households covered under PMJDY at 5% level of significance. Hence it is clearly evident that the volume of business is not dependent on the households covered under PMJDY

Hypothesis: Reasons for rural people does not open accounts is independent of nature of service provided

Crosstab

Count		main reasons why rural people does not open accounts under PMJDY					
		Lack of awareness	illiteracy	No savings	Any other pls specify	None	
		Nature of services provided	opening of sb accounts	2	0	0	0
	Transfer of Cash	0	1	0	0	0	1
	Deposit cash into SB account	0	1	0	0	2	3
	Any other (pls specify)	0	1	0	1	0	2

1 and 2	3	0	0	0	0	3
1and 4	1	0	1	0	1	3
2 and 4	1	0	0	0	0	1
3,4,1	0	2	0	0	3	5
all the above	2	1	2	1	1	7
a,b,c,d	9	1	3	4	0	17
1,4,5	0	1	0	1	0	2
1,2 and4	0	0	1	0	2	3
1,2,4,5	0	0	0	0	1	1
Total	18	8	7	7	10	50

	Value	df	Asymp. Sig. (2-sided)	Sig.
Pearson Chi-Square	60.484 ^a	48	.107	.075
Likelihood Ratio	66.041	48	.043	.011
Fisher's Exact Test	54.277			.010
Linear-by-Linear Association	1.047 ^c	1	.306	.301
N of Valid Cases	50			

Phi value =0.843 and p < 0.01

From Fisher's Exact Test it is very prominent that there exists a strong association (Fisher's Exact test value =54.277 with $p < 0.01$) between the Reasons for rural people does not open accounts and nature of service provided at 1% level of significance. The Hence it is clearly evident that hesitation of the rural people from opening accounts under PMJDY is strongly dependent on the nature of the service provided.

Hypothesis: Reasons for rural people does not open accounts under PMJDY is independent of number of households covered under PMJDY

Crosstab

Count		main reasons why rural people does not open accounts under PMJDY					Total
		Lack of awareness	illiteracy	No savings	Any other pls specify	None	
Are all	Yes	4	0	1	3	9	17

household No covered under PMJDY	14	8	6	4	1	33
Total	18	8	7	7	10	50

	Value	df	Asymp. Sig. (2-sided)	Sig.
Pearson Chi-Square	20.666 ^a	4	.000	.000 ^b
Likelihood Ratio	23.230	4	.000	.000 ^b
Fisher's Exact Test	19.550			.000^b
Linear-by-Linear Association	12.706 ^c	1	.000	.000 ^b
N of Valid Cases	50			

Phi value =0.643 and p < 0.01

From Fisher's Exact Test it is very prominent that there exists a strong association (Fisher's Exact test value =19.550 with $p < 0.01$) between the Reasons for rural people does not open accounts and number of households covered under PMJDY at 1% level of significance. Hence it is clearly evident that number of households covered under PMJDY is strongly dependent on hesitation of the rural people from opening accounts under PMJDY.

We can observe that 66% of the respondents are not covered under PMJDY for which one of the reasons is unawareness of the programs and the next reason is they are not happy with the service provided.

Hypothesis: Rural population who have bank accounts use services of Bank Mitra is independent of number of households covered under PMJDY

Are all household covered under PMJDY * % of rural population who have bank accounts use services of

Bank Mitra Cross tabulation

Count		% of rural population who have bank accounts use services of Bank Mitra				Total
		100%	80-99%	50-80%	less than 50%	
Are all household covered under PMJDY	Yes	2	4	6	5	17
	No	7	1	16	9	33
Total		9	5	22	14	50

	Value	df	Asymp. Sig. (2-sided)	Sig.
Pearson Chi-Square	5.733 ^a	3	.125	.140
Likelihood Ratio	5.534	3	.137	.198
Fisher's Exact Test	5.151			.152
Linear-by-Linear Association	.000 ^c	1	.986	1.000
N of Valid Cases	50			

From Fisher's Exact Test it is very prominent that there exists no association (Fisher's Exact test value =5.151 with $p > 0.05$) between the Rural population who have bank accounts use services of Bank Mitra and the households covered under PMJDY at 5% level of significance. Hence it is clearly evident that the rural population who have bank accounts use services of Bank Mitra is not dependent on the households covered under PMJDY

Hypothesis: Incentives given to open new accounts motivates to work as BC

Count		incentives given to open new accounts			Total
		commission	Any other specify	None	
motivates to work as BC Social Service		26	2	12	40
Income after retirement		1	0	0	1
Recognition from Village Panchayat		4	0	1	5
Any other please specify		1	0	3	4
Total		32	2	16	50

	Value	df	Asymp. Sig. (2-sided)	Sig.
Pearson Chi-Square	4.766 ^a	6	.574	.506 ^b
Likelihood Ratio	5.118	6	.529	.514 ^b
Fisher's Exact Test	6.202			.532^b
Linear-by-Linear Association	.889 ^c	1	.346	.344 ^b

N of Valid Cases	50		
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From Fisher's Exact Test it is very prominent that there exists no association (Fisher's Exact test value =6.202 with $p>0.05$) between Incentives given to open new accounts and a motivation to work as BC at 5% level of significance. Hence it is clearly evident that the motivation to work as BC is not dependent on the incentives given to open the accounts.

Hypothesis: Help that they get from the bank motivates to work as BC

Crosstab

Count		help do you get from banks						Total
		Reimbursement of all expenses	Cash in excess of cash limit	Easy and free internet facility	any other please specify	Nothing	all the above	
motivates to work as BC	Social Service	10	5	5	4	15	1	40
	Income after retirement	0	0	0	1	0	0	1
	Recognition from Village Panchayat	4	1	0	0	0	0	5
	Any other please specify	0	0	0	2	2	0	4
Total		14	6	5	7	17	1	50

	Value	df	Asymp. Sig. (2-sided)	Sig.
Pearson Chi-Square	21.360 ^a	15	.126	.147 ^b
Likelihood Ratio	21.054	15	.135	.047 ^b
Fisher's Exact Test	20.376			.094^b
Linear-by-Linear Association	.095 ^c	1	.758	.766 ^b
N of Valid Cases	50			

From Fisher's Exact Test it is very prominent that there exists no association (Fisher's Exact test value =20.376 with $p>0.05$) between help that they get from the banks and a motivation

to work as BC at 5% level of significance. Hence it is clearly evident that the motivation to work as BC is not dependent on the help that they get from the banks.

Hypothesis: Nature of expenses in terms of stationery and travelling are independent of monthly income

Crosstab

Count		Nature of expense in terms of Stationery			Total
		less than 1000	1000-3000		
monthly income earn as BM	less than 2000	1	0		1
	2000-3000	12	1		13
	3000-5000	26	0		26
	5000-7000	4	0		4
	7000-10000	1	0		1
	above 10000	5	0		5
Total		49	1		50

	Value	df	Asymp. Sig. (2-sided)	Sig.
Pearson Chi-Square	2.904 ^a	5	.715	.482 ^b
Likelihood Ratio	2.753	5	.738	.482 ^b
Fisher's Exact Test	8.259			.482^b
Linear-by-Linear Association	.905 ^c	1	.341	.401 ^b
N of Valid Cases	50			

Crosstab

Count		Nature of expense in terms of Travelling				Total
		less than 1000	1000-3000	3000-5000	above 5000	
monthly income earn as BM	less than 2000	1	0	0	0	1
	2000-3000	7	5	0	1	13
	3000-5000	23	1	1	1	26

	5000-7000	3	0	1	0	4
	7000-10000	1	0	0	0	1
	above 10000	3	2	0	0	5
Total		38	8	2	2	50

	Value	df	Asymp. Sig. (2-sided)	Sig.
Pearson Chi-Square	17.047 ^a	15	.316	.273 ^b
Likelihood Ratio	16.161	15	.371	.192 ^b
Fisher's Exact Test	22.306			.105^b
Linear-by-Linear Association	.120 ^c	1	.729	.756 ^b
N of Valid Cases	50			

From Fisher's Exact Test it is very prominent that there exists no association (Fisher's Exact test value =8.259 for stationery, Fisher's Exact test value =22.306 for travelling with $p>0.05$) between Nature of expenses in terms of stationery and travelling and monthly income at 5% level of significance. Hence it is clearly evident that the Nature of expenses in terms of stationary and travelling is not dependent on the monthly income

Hypothesis: Level of competition and challenges and difficulties faced are independent of monthly income

Crosstab

Count		level of competition			Total
		High	low	nil	
monthly income earn as BM	less than 2000	0	0	1	1
	2000-3000	3	2	8	13
	3000-5000	5	3	18	26
	5000-7000	0	0	4	4
	7000-10000	0	0	1	1
	above 10000	2	0	3	5

Total	10	5	35	50
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	Value	df	Asymp. Sig. (2-sided)	Sig.
Pearson Chi-Square	4.786 ^a	10	.905	.877
Likelihood Ratio	6.717	10	.752	.833
Fisher's Exact Test	5.946			.939
Linear-by-Linear Association	.022 ^c	1	.883	.942
N of Valid Cases	50			

Crosstab

Count		challenges or difficulties faced by you in functioning among BCs									
		Low salary	illiteracy among rural customers	Competition among BC's	Any other please specify	nothing	2 and 4	1,2 and 4	All the above	3 and 4	Total
monthly income earn as BM	less than 2000	1	0	0	0	0	0	0	0	0	1
	2000-3000	8	1	0	2	0	1	1	0	0	13
	3000-5000	11	7	1	2	3	0	0	1	1	26
	5000-7000	1	0	0	1	1	1	0	0	0	4
	7000-10000	0	1	0	0	0	0	0	0	0	1
	above 10000	1	1	0	0	3	0	0	0	0	5
Total		22	10	1	5	7	2	1	1	1	50

	Value	df	Asymp. Sig. (2-sided)	Sig.
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Pearson Chi-Square	32.888 ^a	40	.780	.560
Likelihood Ratio	31.737	40	.821	.321
Fisher's Exact Test	56.499			.223
Linear-by-Linear Association	1.940 ^c	1	.164	.166
N of Valid Cases	50			

From Fisher's Exact Test it is very prominent that there exists no association (Fisher's Exact test value =5.946 for the level of competition, Fisher's Exact test value =56.499 for challenges & difficulties with $p > 0.05$) between Level of competition and challenges and difficulties faced and monthly income at 5% level of significance. Hence it is clearly evident that the Level of competition and challenges and difficulties faced is not dependent on the monthly income

Hypothesis: Number of years as BC is independent of occupation

Occupation other than BC * No of years as BC Cross tabulation

Count		No of years as BC				Total
		0-3 years	3-5 years	5-10 years	More than 10 years	
Occupation other than BC	Housewife	8	1	3	0	12
	Financial Services Agent	1	1	0	1	3
	Business	4	3	5	0	12
	Any other	11	4	6	0	21
	None of these	0	1	1	0	2
Total		24	10	15	1	50

	Value	df	Asymp. Sig. (2-sided)	Sig.
Pearson Chi-Square	22.222 ^a	12	.035	.084
Likelihood Ratio	13.837	12	.311	.304
Fisher's Exact Test	14.627			.246
Linear-by-Linear Association	.700 ^c	1	.403	.414
N of Valid Cases	50			

From Fisher's Exact Test it is very prominent that there exists no association (Fisher's Exact test value =14.627 with $p > 0.05$) between Number of years as BC and occupation of the respondents at 5% level of significance. Hence it is clearly evident that the Number of years as BC is not dependent on the occupation of the respondents

Correlations

			monthly income earn as BM	Nature of expense in terms of Stationery	Nature of expense in terms of Travelling
Spearman's rho	monthly income earn as BM	Correlation Coefficient	1.000	-.189	-.121
		Sig. (2-tailed)	.	.189	.401
		N	50	50	50
	Nature of expense in terms of Stationery	Correlation Coefficient	-.189	1.000	.318*
		Sig. (2-tailed)	.189	.	.024
		N	50	50	50
	Nature of expense in terms of Travelling	Correlation Coefficient	-.121	.318*	1.000
		Sig. (2-tailed)	.401	.024	.
		N	50	50	50

*. Correlation is significant at the 0.05 level (2-tailed).

From the above correlation table it shows an association between monthly income and nature of expense in terms of travelling as well as nature of expense in terms of stationery.

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

- This study states that the number of customers covered in a village is strongly dependent on the number of villages covered.
- This study shows that the customers covered per day in a village is not dependent on the number of villages covered.
- The nature of services provided by the BC respondent in a village is not dependent on the number of villages covered.

- The volume of business carried by the BC respondent has no association on the cash limit carried by the BC.
- The volume of business is having no association on the households covered under PMJDY.
- There is an association of the hesitation of the rural people from opening accounts under PMJDY and the nature of the service provided.
- The number of households covered under PMJDY is strongly dependent on hesitation of the rural people from opening accounts under PMJDY.
- The rural population who have bank accounts use services of BM is having no association on the households covered under PMJDY.
- The motivation to work as BC is not dependent on incentives given to open the accounts and also the help that they get from the banks.
- There exists no association with nature of expenses in terms of stationary and travelling on the monthly income.
- There is no dependency on the level of competition and challenges and difficulties faced by the BM on the monthly income.
- The no. of years as BC is not dependent on the occupation of the respondents.

SUGGESTIONS

Financial inclusion is still a long road ahead. Innovations in the field of branchless banking and banking business model are making their way towards this goal. Recent exploration suggests that product plays a very important role in creating a financially inclusive ecosystem. If we observe the innovations happened around the world in financial inclusion, we can easily say that below factors are main criteria for making financial inclusion a success.

Following suggestions are to be implemented in India for betterment of BC's:

1. **Device:** POS device should be given to BC as quickly as possible. The technical problem regarding to device should be solved with the help of expert. Training should be given to BC for helping them to understand device easily.
1. **Smart card:** Smart card is necessary for transaction of individual account. Smart card should be issued to client within week of opening account. So,

account holder can use his account and make transaction possible. Transaction should be made possible from both BC and branch through same smart card.

2. **Connectivity (Network):** In remote rural area it is not possible to get connectivity from all mobile service providers. Smartcard which is given to BC should have good network connectivity within the village. This will enable the BCs to get internet connection anytime in day and transaction can be possible anytime without going here and there.
3. **Document:** Due to illiteracy in rural areas document is major problem. Bank follows its KYC norms for opening of account. The villagers cannot get banking facility just because of some mistake in document. Banks have to make their KYC rules easier for such kind of people. Banks should get confirmation from BC or can get written later from them.
4. **Awareness/Acceptability:** The villagers cannot get benefit of many government schemes or such kind of banking facility just because of they are not aware of facility. There is need to organize awareness camps in the village. The announcement of BC facility in the villages should be done by some high level banking authority or a person who is trusted by the people in that village. So that credibility gap can be reduced.

CONCLUSION

The message that comes out of the event is loud and clear - the focus of the model has to shift significantly to ensure that it finds space in the business strategies of the bank. The BC model is in its infancy. The different experiments being tried out to enhance the understanding and the skill sets of the sector to make the model a viable and feasible instrument of increasing financial services outreach. In the initial stages, the focus seems to be on inclusion. The BF and BC models have not generated the enthusiasm that would have been normally expected. The BC particularly in extension of door step banking services.

The main limiting factor is very low customer activity rates. Low usage is compounded by the prevalence of unduly low pricing models on the basic savings proposition, which is based on a perception that customers have low willingness to pay for savings services. These two factors are of course linked: usage and willingness to pay are both a function of the strength of the value proposition that customers perceive. The BC channel provides banks and their

partners with a plethora of opportunities. It is urgent that banks explore the value of services beyond no-frills accounts. The key to the success of any BC (or mobile money) deployment is value for customers to remain engaged. The service needs to be a mass-market solution and not limited to success with a small portion of the target segment.

The BC channel has enormous potential in the long-run, and there are obvious synergies between large banks and grass-roots MFIs. However, while banks' interest is dominated entirely by the need to fulfil customer acquisition mandates, their activities will remain focused almost exclusively on channel development. MFIs can only urge banks to refocus attention on the product proposition, but they cannot themselves make it happen. The best position they can take is one of "active wait and see:" monitor the space closely, work with banks in BC deployments in a limited, cost-effective manner, continue building stronger relationships with banks, and jump at opportunities that might present themselves to work with banks to sharpen the product side on a localised basis.

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Published by SDMIMD - ISBN: 978-93-83302-16-1