

**EFFECTIVENESS OF FINANCIAL INCLUSION
THROUGH BUSINESS CORRESPONDENT MODEL:
A Study in Select Telangana Districts**

Thesis Submitted to the University of Hyderabad for the award of the degree of

Doctor of Philosophy

**IN
MANAGEMENT**

By

RENUKA BACHARAJU

(Reg. No: 09MBPH09)

Under the Supervision of

Dr. V. MARY JESSICA

Associate Professor, School of Management Studies
University of Hyderabad, Hyderabad



**SCHOOL OF MANAGEMENT STUDIES
UNIVERSITY OF HYDERABAD
HYDERABAD**

2015



DECLARATION

I, **B.Renuka**, hereby declare that the research work presented in this thesis titled **“Effectiveness of Financial Inclusion through Business Correspondent Model: A Study in Select Telangana Districts”** has been carried out under the supervision of Dr. V. Mary Jessica, is a bonafied work for the full period prescribed under Ph.D. ordinances of the University. I also declare that to the best of my knowledge, no part of this thesis was earlier submitted to any other university for the award of any degree or diploma.

(B.Renuka)

Place:

Date:



CERTIFICATE

This is to certify that the thesis titled **“EFFECTIVENESS OF FINANCIAL INCLUSION THROUGH BUSINESS CORRESPONDENT MODEL: A STUDY IN SELECT TELANGANA DISTRICTS”**, submitted by **B.Renuka, (Reg.No: 09MBPH09)**, Research Scholar enrolled in the Ph.D. programme at the School of Management Studies, University of Hyderabad, is the bonafied work done under my supervision and guidance. It is the record of original research work and this thesis has not been submitted earlier for the award of research degree at any other University or Institution.

Research Supervisor

Dean

(Dr. V.MARY JESSICA)
School of Management Studies,
University of Hyderabad,
Hyderabad.

(Prof. B. RAJASEKHAR)
School of Management Studies,
University of Hyderabad,
Hyderabad.

Acknowledgements

At the very outset, I would like to express my boundless gratitude and thanks to Dr.V.Mary Jessica, Associate Professor, School of Management Studies, Central University of Hyderabad, my guide for her invaluable guidance, constructive criticism, monumental patience and encouragement. In spite of her busy schedule, she has always been available to discuss the research work and give suggestions. I express my heartfelt thanks to my respected guide for going through my draft and for taking care to reach its present standards. I am thankful to her from the bottom of my heart for giving me psychological and emotional support.

I express my deep sense of gratitude to Prof. B. Rajasekhar, Dean, School of Management Studies, University of Hyderabad and my Doctoral Committee Members, Dr.S.Mallikarjun Rao, Prof.P.Jyothi and Prof. B.Rajasekhar and all the faculty members for their valuable suggestions and enormous encouragement in enhancing the standard of this draft.

I express my grateful thanks to Mr.Suresh Babu, Manager, Financial Inclusion Department, Andhra Bank, for giving his valuable time, information and suggestions regarding my research topic. I am also thankful to the Business Correspondents and Account holders for their timely response and spending their valuable time to share their views.

I express special thanks to my Co- Research Scholars and Office Staff for their enormous support and co-operation in each and every stage of my research.

My sincere thanks to my parents, Mr. B.Sudhakar Rao and Mrs. B.Vijayalaxmi for taking care of every aspect of my life and making me more comfortable by taking care of my little kids throughout my research. Selflessly,

I should thank B.Swathi and B.Tejaswini for their cooperation to finish my work without any hurdles.

Finally, I am very much thankful to my husband Mr. C.Mallikarjuna Rao, the person behind my success for his boundless cooperation and support throughout my research. I should never forget to thank my sons Master C. Sai Koushik and C.Kashyap for giving me space to finish my work without any obstacles. I am thankful to one and all who wished, helped, supported and encouraged me in completing my work.

B. Renuka

List of Tables

Table No.	Details	Page Number
1	Bank-wise details of number of BCs appointed and accounts opened	24
2	Selection of Account Holders' sample	25
3	Selection of BC sample	26
4	Reliability Test of the questionnaire	27
5	Position of households availing banking services	34
6	Banking Operations in undivided Andhra Pradesh	35
7	FIF and FITF Disbursements (in crores)	44
8	Demographic profile of the account holders	65
9	Account Profile: Motivational Factors and Status of account	68
10	Analysis of Influencing factors to open an account with BC	69
11	Savings and Withdrawal Profile	71
12	Borrowing Profile	72
13	KCC/GCC Profile	74
14	Micro Insurance Profile	75
15	Awareness on Financial Services and Products	76
16	Factors that have impact after opening an account with BC	78
17	Cross Tabulation (Motivation to open an account and Status of account)	79
18	Chi-Square Test	79
19	Cross Tabulation (Category of person and Status of Account)	80
20	Chi-Square Test	81
21	Cross Tabulation (Level of Income and Status of Account)	81
22	Chi-Square Test	82
23	Cross Tabulation (Income and Saving)	83
24	Chi-Square Test	83
25	Cross Tabulation (Income and Withdrawals)	84

26.	Chi-Square Test	84
27.	Cross Tabulation (Income and Expected Loan amount)	85
28.	Chi-Square Test	85
29.	Cross tabulation (Income and Affordable Investment in Micro Insurance Products)	86
30.	Chi-Square Test	87
31.	Cross Tabulation (Savings and Overall Impression)	87
32.	Chi-Square test	88
33.	Cross Tabulation (Impact on Savings and Overall Impression)	88
34.	Chi-Square Test	89
35.	KMO and Bartlett's Test	93
36.	Total Variance Explained	94
37.	Rotated Component Matrix	96
38.	Factor Loadings	97
39.	Regression Weights	99
40.	KMO and Bartlett's Test	102
41.	Total Variance Explained	103
42.	Rotated Component Matrix	104
43.	Factor Loadings	105
44.	Regression Weights	107
45.	Frequency Distribution of Overall Impression and Reliability of using BC Model	109
46.	Demographic profile of Business Correspondents	111
47.	Factors to join as Business Correspondent	112
48.	Motivational Factors	114
49.	Perception	115
50.	Responsiveness of Banks	116
51.	Overall Satisfaction	117
52.	Crosstab: Andhra Bank and SBI	118

53.	Chi-Square test	118
54.	Cross tabulation (Remuneration and Overall Satisfaction)	119
55.	Chi-Square Test	120
56.	Cross tabulation ((Remuneration being met with necessities and Overall Satisfaction)	121
57.	Chi-Square Test	121
58.	Cross tabulation (Receipt of commission and Overall Satisfaction)	122
59.	Chi-Square test	123
60.	Cross tabulation (Financial condition and Overall Satisfaction)	123
61.	Chi-Square test	124
62.	Cross tabulation (Working environment and Overall Satisfaction)	126
63.	Chi-Square Test	127
64.	Cross tabulation (Response from banks and Overall Satisfaction)	127
65.	Chi-Square Test	128
66.	Cross tabulation (Responsiveness of Account holders and Overall Satisfaction)	129
67.	Chi-Square test	129
68.	Cross tabulation (Present condition of job and Overall Satisfaction)	130
69.	Chi-Square test	131

LIST OF FIGURES

S.No:	Particulars	Page No.
1	Channel Basics: who does what ?	49
2	Parameters of Financial Inclusion	55
3	Number of Branches Opened (including RRBs)	56
4	Banking outlets in Villages	57
5	BSBD Accounts Opened	57
6	ICT Based Accounts - through BCs	58
7	ATM Network	58
8	Kisan Credit Cards (KCC) Issued	59
9	General Credit Cards (GCC) Issued	59
10	Bank Credit to MSME	60
11	Overall Impression	109
12	Overall Reliability	110

CONTENTS

Chapters No.	TITLE	Pg.No.
CHAPTER I	Introduction: Inclusive Growth and Financial Inclusion	1-31
PART - A	1. Introduction to Inclusive Growth	1-11
	1.1 Significance of Inclusive growth	
	1.2 Overview on Components of Inclusive Growth	
	1.2.i. Educational Inclusion	
	1.2.ii. Employment Inclusion	
	1.2.iii. Financial Inclusion	
	1.2.v. Social Inclusion:	
	1.3. Introduction to Financial Inclusion	
	1.3.i. Evolution of FIP in India	
	1.3.ii. Financial Inclusion – Definition	
	1.3.iii. Main reasons for Financial Exclusion are	
	1.3.iv. Objectives of Financial Inclusion	
	1.3.v. Significance of Financial Inclusion:	
	1.3.vi. Role of Banks in FIP	
Part – B	1.4. Literature Review	12-18
Part – C	Objectives and Methodology	19-31
	1.5.i. Research Gap	
	1.5.ii. Need for the study	
	1.5.iii. Scope of the Study	
	1.5.iv. Objectives of the Study	
	1.5.v. Research Hypotheses	
	1.5.vi. Research Methodology	
	1.5.vii. Pilot Survey and Reliability Test	
	1.5.viii. Final Questionnaire	
	1.5.ix. Data Collection and Analysis	

	1.5.x. Limitations of the study	
	1.5.xi. Chapterisation	
CHAPTER II	Financial Inclusion Plan (FIP) - Policy Frame Work	32-46
	2.i. Banking Sector in India	
	2.ii. A glance at banking sector in India	
	2.iii. Financial Inclusion Plan (FIP) – Introduction	
	2.iv. Evolution of FIP policy in India	
	2.v. Initiatives of RBI and GOI in Financial Inclusion Plan	
	2.vi. The Institutional Structure of FIP	
	2.vii. Role of NABARD in Financial Inclusion Plan	
	2.viii. Financial Inclusion Fund	
	2.ix. Eligible Institutions	
	2.x. Management of the FIF	
	2.xi. Major initiatives under FIF	
	2.xii. Financial Inclusion Technology Fund	
	2.xiii. Eligible Institutions	
	2.xiv. Management of the FITF	
	2.xv. Major initiatives under FITF	
	2.xvi. Utilisation of FIF and FITF	
	2.xvii. Other major Stake holders of FIP:	
	2.xviii. Conclusion	
CHAPTER III	Business Correspondent Model: The Concept	47-54
	3.i. Models of Financial Inclusion	
	3.ii. Business Correspondent Model: Introduction	
	3.iii. Business Correspondent Models	
	3.iv. Objective of BC Model	
	3.v. Role of a Business Correspondent	

	3.vi. Eligible Entities	
	3.vii. Selection criteria	
	3.viii. Business Facilitator Model – The Concept	
	3.ix. Service Provider and Technology Provider	
	3.x. Operational Levels of a Service Provider	
	3.xi. Conclusion	
CHAPTER – IV	Progress of Financial Inclusion Plan	55-62
	4.1. Parameters of financial Inclusion Plan	
	4.2. Progress of Financial Inclusion Plan	
	4.2.i. Supply Side	
	4.2.ii. Demand Side Approach - Financial Literacy & Financial Advisory Services	
	4.3. Challenges	
	4.4. Special Focus on JanDhanYojna: (Introduced in 2014)	
	4.5 Conclusion	
CHAPTER – V	Business Correspondent model of Financial Inclusion - Account Holders' Perspective: Analysis on Perception of Account Holders.	63-110
	5.1 Demographic Profile of the Account Holders	
	5.2. Account Profile: Motivational Factors and Status of account	
	5.3. Analysis of Influencing factors to open an account with Business Correspondent	
	5.4. Savings and Withdrawal Profile	
	5.5. Borrowing Profile	
	5.6. KCC/GCC Profile	
	5.7. Micro Insurance Profile	
	5.8. Awareness on Financial Services and Products	
	5.9. Factors that have impact after opening an account with Business Correspondent	

-
- 5.10. Testing of Hypotheses : Cross Tabulation and Chi-Square Test
 - 5.11. Result of Analysis
 - 5.12. Factor Analysis
 - 5.13. Influencing factors to open an account with BC – Factor Analysis
 - 5.14. Regression Weights
 - 5.15. Impact on Overall Satisfaction
 - 5.16. Result of Analysis
 - 5.17. Factor Analysis - Impact Assessment of Financial, Psychological and Health and Educational Aspects
 - 5.18. Regression Weights (Group number 1 - Default model)
 - 5.19. Impact Assessment
 - 5.20. Result of Analysis
 - 5.21. Frequency Distribution of Overall Impression and Reliability of using Business Correspondent Model
 - 5.22. Conclusion

CHAPTER VI	Business Correspondent Model of Financial Inclusion : Business Correspondents' perspective	111-133
-------------------	---	----------------

- 6.1. Demographic profile of Business Correspondents
 - 6.2. Factors to join as Business Correspondent
 - 6.3. Motivational Factors
 - 6.4. Perception
 - 6.5. Responsiveness of Banks
 - 6.6. Overall Satisfaction
 - 6.7. Hypotheses from BC Study
 - 6.8. Result of Analysis : Financial Factors
 - 6.9. Result of Analysis : Non-Financial Factors
 - 6.10. Conclusion
-

CHAPTER VII	Summary, Suggestions and Conclusions	134-140
	Scope for the Future Research	
	References and Bibliography	141-146
	Annexure	147-159
	i) Achievement of Financial Inclusion	
	ii) Bank wise details of Accounts Opened	
	iii) Questionnaire to Account Holders	
	iv) Questionnaire to Business Correspondents	

ABBREVIATIONS

AB	–	Andhra Bank
ABC	–	Agri Business Centres
ABRDT	–	Andhra Bank Rural Development Trust
ACC	–	Artisans Credit Card
AEPS	–	Aadhaar Enabled Payment Systems
AG	–	Attorney General (Need to Check)
AGC	–	Agri Clinics
AGFI	–	Adjusted Goodness of Fit Index
AIDS	–	Acquired Immuno Deficiency Syndrome
AMOS	–	Analysis of Moment Structures
AMP	–	Advanced Management Program (Need to Check)
AP	–	Andhra Pradesh
ASD	–	Association for Social Development
ATM	–	Automated Teller Machine
BASIX	–	Bhartiya Samruddhi Finance Limited
BBA	–	Basic Bank Account
BC	–	Business Correspondent
BCSBI	–	Banking Codes and Standard Board of India
BF	–	Business Facilitator
BFS	–	Board of Financial Supervision
BI	–	Business Intelligence
BIFR	–	Board for Industrial and Financial Reconstruction
BIMAS	–	Behaviour Intervention Monitoring Assessment System
BIS	–	Bank for International Settlements
BKD	–	Bank Kredit Desa
BOD	–	Beginning of the Day
BPR	–	Bank Perkreditan Rakyat
BRAC	–	Bangladesh Rural Advancement Committee
BRI	–	Bank Rakyat Indonesia
BSA	–	Basic Saving Account
BSBDA	–	Basic Saving Bank Deposit Account
BSDA	–	Basic Share Draft Accounts

CAGR	–	Compound Annual Growth Rate
CB	–	Commercial Bank
CBMGF	–	Commissioned by Bill and Melinda Gates Foundation
CBS	–	Core Banking Solution
CC	–	Cluster Coordinator
CCB	–	Central Cooperative Banks
CDF	–	Credit and Development Forum
CEO	–	Chief Executive Officer
CFI	–	Classification of Financial Instrument
CGAP	–	Consultative Group to Assist the Poor
CGTSI	–	Credit Guarantee Fund Trust for Small Industries
CIBIL	–	Credit Information Bureau of India Ltd.
CR	–	Critical Ratio
CRA	–	Credit Rating Agency
CRISIL	–	Credit Rating and Information Services of India Ltd
CSC	–	Customer Service Centre
CSP	–	Customer Service Point / Customer Sales Point
DA	–	Dearness Allowance
DBT	–	Direct Benefit Transfer
DCC	–	District Consultative Committee
DCCB	–	District Central Cooperative Banks
DCP	–	District Credit plan
DD	–	Door Darshan
DLCC	–	District Level Credit Council
DMAT	–	Dematerialisation of Shares
DRI	–	Differential Rate of Interest
EBT	–	Electric Benefit Transfer
ED	–	Enforcement Directorate
EOD	–	End of the Day
FCNR (B)	–	Foreign Currency Non Residential Account (Bank Account)
FCNRDB	–	Foreign Currency Non-Resident Deposit Banks
FI	–	Financial Inclusion
FIAC	–	Financial Inclusion Advisory Committee

FID	–	Financial Inclusion Department
FIF	–	Financial Inclusion Fund
FIP	–	Financial Inclusion Plan
FIPD	–	Financial Inclusion Promotion and Development Fund
FI-PR-MDG	–	Financial Inclusion – Poverty Reduction – Millennium Development Goal
FITF	–	Financial Inclusion Technology Fund
FLC	–	Financial Literacy Centre
FMCG	–	Fast Moving Consumer Goods
FSC	–	Farmer’s Service Centre
FSDC	–	Financial Stability and Development Council
GCC	–	General Credit Card
GDP	–	Gross Domestic Product
GFI	–	Goodness of Fit Index
GLM	–	General Linear Model
GOI	–	Government of India
HM Treasury	–	Her Majesty's Treasury
HR	–	Human Resource
HSBC	–	Hong kong and Shanghai Banking Corporation
IBA	–	Indian Bankers’ Association
IBRD	–	International Bank for Reconstruction and Development
ICICI	–	Industrial Credit and Investment Corporation of India
ICT	–	Information and Communication Technology
IDA	–	International Development Association
IDRBT	–	Institute for Development & Research in Banking Technology
IIEF	–	Invest India Economic Foundation
IFI	–	International Financial Institutions
IFI	–	Incremental Fit Index
IFMR	–	Institute for Financial Management and Research
IIM	–	Indian Institute of Management
IIMPS	–	Invest India Micro Pension Services
IIT	–	Indian Institute of Technology
IMF	–	International Monetary Fund
IPA	–	Indian Postal Authorities

IRDA	–	Insurance Regulatory and Development Authority
J&K	–	Jammu and Kashmir
JLG	–	Joint Liability Group
KCC	–	Kisan Credit Card
KVK	–	Krishi Vignan Kendras
KYC	–	Know Your Customer
LBS	–	Lead Bank Scheme
LDKPs	–	Lembaga Dana Kredit Pedesaan (Rural Fund and Credit Institution)
LDM	–	Lead District Manager
LIC	–	Life Insurance Corporation
LLA	–	Local Level Association
LUCC	–	Laghu Udhyami Credit Card
MACS	–	Mutually Aided Co-operative Societies
MB	–	Mobile Banking
MBNR	–	Mahaboob Nagar
MDG	–	Millennium Development Goals
MFDEF	–	Micro Finance Development and Equity Fund
MFI	–	Micro Finance Institutions
MGNREG	–	Mahatma Gandhi National Rural Employment Guarantee Scheme
MPBF	–	Maximum Permissible Bank Finance
MRRU	–	Micro Finance Research and Reference Unit
MSME	–	Micro Small and Medium Enterprises
NABARD	–	National Bank for Agriculture and Rural Development
NASSCOM	–	National Association of Software and Services Companies
NBFC	–	Non Banking Financial Corporation
NCC	–	Nation Credit Council
NeGP	–	Nations e-Governance plan
NER	–	North East Regions
NFA	–	No Frills Accounts
NFI	–	Normal Fit Index
NGO	–	Non Government Officials

NMFI	–	National Mission on Financial Inclusion
NRE	–	Non Residential External
NRFIP	–	National Rural Financial Inclusion Plan
NRO	–	Non Residential Ordinary
NSFE	–	National Strategy for Financial Education
NSFE	–	National Strategy for Financial Education
NSSO	–	National Sample Survey Organisation
OBC	–	Other Backward Caste
OCC	–	Open Cash Credit
OD	–	Over Draft
OTS	–	One Time Settlement
PACS	–	Primary Agricultural Credit Societies
PCO	–	Public Call Office
PFF	–	Private Financial Fund
PFP	–	Popular Finance Partnership
PFRDA	–	Pension Fund Regulatory and Development Authority
PKSF	–	Palli Karma Sahayak Foundation
PM	–	Project Manager
POS	–	Point of Sale
RBI	–	Reserve Bank of India
RBO	–	Regional Business Office
RDIF	–	Russian Direct Investment Fund
RFCI	–	Rural Fund and Credit Institution
RFI	–	Relative Fit Index
RIDF	–	Rural Infrastructure Development Fund
RMK	–	Rural Multipurpose Kiosks
RMSEA	–	Root Mean Square Error of Approximation
RRB	–	Regional Rural Bank
R-SETI	–	Rural Self-Employment Training Institutes
RUDSETI	–	Rural Development and Self Employment Training Institution
SAA	–	Service Area Approach
SACCO	–	Savings and Credit Co-operative Organisation
SBI	–	State Bank of India

SCA	–	Service Centre Agencies
SCB	–	Scheduled Commercial Bank
SCB	–	State Cooperative Banks
SCC	–	Sub-Cluster Coordinator
SCCB	–	State Central Co-operative Bank
SC	–	Schedule Caste
SE	–	Standard Error
SEM	–	Structural Equation Model
SHBL	–	Self Help Bank Linkage
SHG	–	Self Help Group
SIDBI	–	Small Industries Development Bank of India
SIM	–	Subscriber Identity Module
SLBC	–	State level Banker's Committee
SLR	–	Statutory Liquidity Ratio
SLRFIP	–	State Level Rural Financial Inclusion Plan
SMS	–	Short Message Services
SP	–	Service provider
SPV	–	Special Purpose Vehicle
SSC	–	Social Security Transfers
SSP	–	Social Security Payments
ST	–	Schedule Tribe
STCRC	–	Short Term Cooperative Rural Credit
TA	–	Travelling Allowance
TP	–	Technology provider
TUFS	–	Technology Up gradation Fund Scheme
UCB	–	Urban Co-operative Bank
UIDAI	–	Unique Identification Authority of India
UK	–	United Kingdom
UNCDF	–	United Nations Capital Development Fund
UNDP	–	United Nations Development Programme
USA	–	United States of America
UT	–	Union Territory
UTIAMC	–	Unit Trust of India Asset Management Company Ltd

VAS	–	Village Adoption Scheme
VCO	–	Village Credit Organisation
VKC	–	Village Knowledge Centre
VLE	–	Village Level Entrepreneurs
ZMF	–	Zero Mass Foundation

PLACES VISITED DURING THE STUDY

1. “Institute of Social Welfare Business Management” (ISWBM) , Kolkatta.
2. “Indian Institute of Management” (IIM), Benguluru.
3. “Nirma University”, Ahmedabad.
4. “Sadhu Vaswani Institute of Management Studies for Girls “, (SVIMS), Pune.
5. NABARD, Hyderabad.
6. State Bank of India, Head office, Hyderabad
7. Andhra Bank, Head office, Hyderabad
8. Villages in Mahaboob nagar and Warangal Districts
9. Attended the BC meeting held by Batronincs India Lmt, Mahaboobnagar.
10. CSPs of Jadcharla and Jangam Talukas.

PUBLICATIONS

S.No	Title	Published in	Year
1	“Stepping up Quality and effectiveness of financial inclusion through Business models”	Proceeding of HCU “Strategic Quality Management”. ISBN: 978-81-7446-825-3.	2010.
2	“Financial Inclusion through Business Model: A Success story of Andhra Bank”	Proceeding of HCU “Financial Inclusion and Inclusive Growth: Prospect & Retrospect.	2010
3.	“Inclusive growth through e-governance”,	Book titled “e-governance – Policies and Practices”. ISBN 978-93-81361-42.	2011
4	“ Financial Inclusion – A Tool to Reach the Unreached – A study on performance of SBI in Andhra Pradesh”	“ Emerging Trends in Banking & Insurance”. ISBN 978-81-921579-3-1.	2012
5	“Emerging Trends in Life Insurance Sector in India – A Review ”	“ Emerging Trends in Banking & Insurance”. ISBN 978-81-921579-3-1.\	2012
6	“A Study on Brand Image in Banking Sector – Special Focus on State Bank of India and ICICI”	“Branding-A strategic Tool for Corporate Success”	2012
7	“ Business Correspondent Model – An Innovative Business Practice in Banking Sector”	“ Corporate Finance and Financial Services – Emerging Trends”	2013
8	“A Study on Foreign Direct Investment in Indian Economy”	“ Foreign Direct Investment in India – Issues and challenges” ISBN 978 – 93-82163-09-1	2013
9	“BC Model of Financial Inclusion: Through Business Correspondents’ Perspective”	DAWN (“13 _ SUTRA TO UNLOCK INDIA’S POTENTIAL) ISSN No: 2348-0092.	2015
10	“Effectiveness Of Financial Inclusion Through Bc Model: from the perspective of account holders”	Sumedha Journal of Management ISSN No: 2277-6753.	2015
11	Financial Inclusion Through Business Correspondent Model:An Empirical Study On Perception Of Account Holders	“Corporate Mantra” ISSN No: 2231-3397.	2015

PREFACE

Government of Indian has made “Inclusive Growth” a key element of its policy platform, stating it as a goal. Inclusive growth as a strategy of economic development received attention owing to a rising concern that the benefits of economic growth have not been equitably shared. “The twin goals of Indian economic planning is to have overall economic development and equitable sharing of benefits of development to last mile civilian. Even after taking various measures by GOI, The important elements of inclusive growth such as Infrastructure, Education, Finance, Economic and Social benefits are not percolating to the masses. Indian society evidently is still segmented and there are huge disparities between the people. The unequal distribution of resources led India underdeveloped. To trigger this problem GOI and RBI brought out a policy named “Financial Inclusion Plan”

As said by C.K Prahlad, Management Guru, there is Fortune at the Bottom of the Pyramid, “Access to Bottom of the Pyramid market is not necessarily difficult if proper initiatives and measures are taken. Financial Inclusion if understood and applied in the right perspective can make a strong, profitable business proposition. This is so because pyramid is wider at the bottom. Financial inclusion is the strong preventive as well as curative against the ill effects of financial instability and economic recession. RBI urged banks to hasten the Financial Inclusion Plan using their own road map to reach the unreached. Different Banks focused on different approaches and amongst them Business Correspondent Model is a successful tool to bring the Financial Inclusion. In this thesis author has tried to analyse the impact of various variables after opening an account with BC and Overall impression of account holders on this model. Researcher in her study calls for involving the target population in the process of development rather than treating them as beneficiaries of public largesse.

**EFFECTIVENESS OF FINANCIAL INCLUSION THROUGH BUSINESS
CORRESPONDENT MODEL: A STUDY IN SELECT
TELANGANA DISTRICTS**

**CHAPTER I
INTRODUCTION**

Part –A

INTRODUCTION TO INCLUSIVE GROWTH AND FINANCIAL INCLUSION

“If we cannot make globalisation work for all, in the end it will work for none”.

Kofi Annan

1. Introduction to Inclusive Growth

Government of India has made “Inclusive Growth” a key element of its policy platform to provide economic benefits to all the sections of society. It is a known fact that inequality, casteism, gender discrimination, concentration of economic power in few hands, illiteracy, unemployment etc, are the main hurdles of development. All these problems can be addressed by a policy called “Inclusive Growth”. Chakraborty K.C. (2010) defined Inclusive growth as “an equitable allocation of resources with benefits accruing to every section of society, focusing on the intended short and long terms benefits and economic linkages at large on the basis of regional and population criteria”.

Even today, Indian society is evidently segmented and around 40% of the citizens are away from the basic needs. There is a huge disparity between various castes, the urban and rural people, the non-agricultural workers and farm labourers, the organized sector and unorganized sector employees, men and women, and developed states and underdeveloped states.

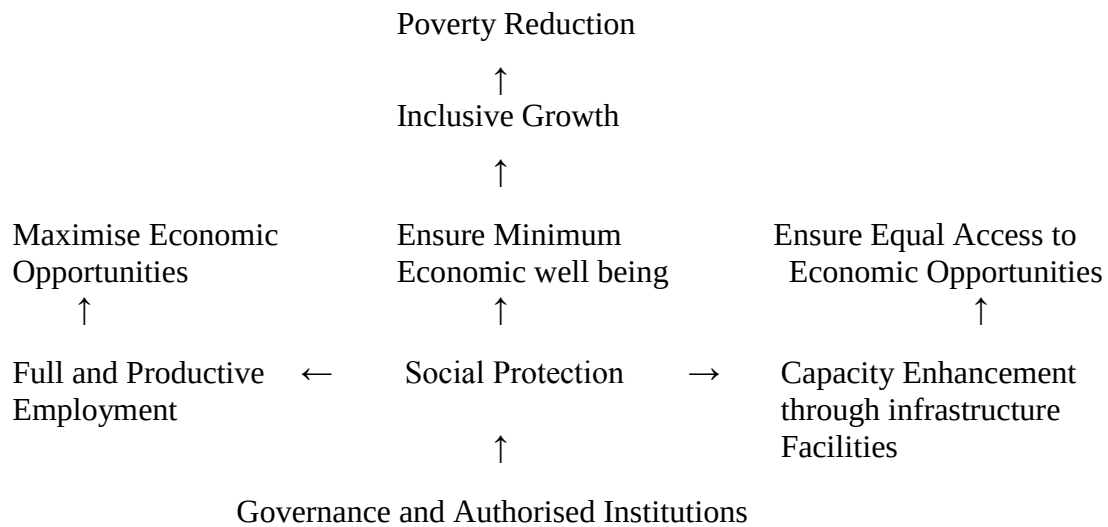
The reasons for these disparities could be people living in remote (often rural) areas, less infrastructure facilities, limited investment in human capital, fewer employment opportunities and income, low nutrition and poor health, lesser attention on socially excluded and ignored groups etc. Policy makers felt that ‘Inclusive Growth’ could overcome these constraints and bring equality among the people.

Joseph E. Stiglitz (2011), a Nobel Laureate in economics and professor at Columbia University, stated that while a country’s Gross Domestic Product (GDP) might be increasing, it does not mean that life is getting better for all its citizens as Gross Domestic Product may fail to reflect overall well-being of its citizens. If all the wealth and the income of a country go to a few, it means that a country could have a high GDP and high GDP growth, but most citizens would actually be getting worse off. It indicates that a country’s growth need not reflect the growth of all the citizens. Hence, inclusive growth is a necessity to bring the sustainable growth in a country.

1.1. Significance of Inclusive Growth:

- Equitable allocation of resources can counter the problem of poverty.
- Reduction of poverty leads to public welfare and public participation.
- Public welfare and public participation leads to economic development of the country.

After thorough literature review, it is understood that inclusive growth can be achieved by Growth Accelerators (Strategies for Growth) and Equalising the Accelerators (which make the growth more equitable and more inclusive). As stated earlier, the ultimate focus of inclusive growth is poverty reduction. The following flow chart explains the various inter-connected variables that lead to poverty reduction.



Therefore, sustainable and equitable growth, quality of infrastructure, focus on agriculture and rural economy, social protection schemes, legal identity to vulnerable communities, support for human capital, creating opportunities and equalizing access to opportunities are the major factors that make inclusive growth more effective.

1.2. Overview on Components of Inclusive Growth:

India's economy is primarily categorised into three sectors, viz, agriculture, industry and service. Agriculture is the predominant occupation in India, accounting for about 52% of employment which contributes only 16.1% to GDP. The industrial sector, which accounts for 34% of employment, provides 28.6% of GDP. However, the service sector, which accounts for 14% of employment, contributes a whopping 55.3% of GDP. One of the critical problems faced by India's economy is that the sector on which most of the civilians depend contributes lesser to the GDP. The gap between two sectors has risen because there is an infrastructure exclusion, education exclusion, financial exclusion, employment exclusion and social exclusion in India.

According to Mary Jessica (2012), inclusive growth can be understood by the following parameters.

- Educational Inclusion
- Employment Inclusion
- Financial Inclusion
- Infrastructure Inclusion
- Social Inclusion

1.2.i. Educational Inclusion: According to the census of 2011, "every person above the age of 7 years who can read and write in any language is said to be literate". According to this criterion, the 2011 survey holds the National Literacy Rate to be around 74%, while male literacy is 82% and female literacy is 65%. Indian Government's allocation to National Education budget for 2011–2012, is ₹52,057 crore (US\$11.61 billion). India has made huge progress in terms of expanding literacy to approximately three-fourth of the population. The right to education at elementary level has been made one of the fundamental rights under the eighty-sixth Amendment of 2002, and legislation has been enacted to further the objective of providing free education to all children. There are a plethora of programmes and policies such as Sarva Shiksha Abhiyan, Mid-day Meal Scheme, District Primary Education Programme, Operation Blackboard, Mahila Samakhya, National Literacy Mission, to name a few. Government spent 151.20 crores in the first five-year plan, 43,825 crores in the 10th plan and proposed to spend 2.5 lakh crores for the 11th plan. In spite of a number of programmes and budget allocation, India is still facing the problem of educational exclusion. The drop-out rate is more than 50 per cent at elementary school level. Till 2010, only 65 per cent schools are housed in pucca buildings. More than 42,000 schools still function without a building of their own, while over one lakh schools have only one classroom. Only 5 per cent schools have separate lavatories for girls and 8.7 per cent have separate urinals. National Knowledge Commission

recommended that to bring educational inclusion, our country has to be provided with minimum of 6,000 new quality schools, one in each block, 370 new colleges in low-enrollment districts, 30 new central universities, 5 new Indian Institutes of Science Education and Research, 8 new IITs, 7 new IIMs, 20 new Institutes of Information Technology, as well as 10,000 new vocational schools and 50,000 new skill development centres.

According to the report of Ministry of Human Resource Development (2015), India had 40 central universities, 215 state universities, 129 deemed universities, 5 institutions established and functioning under the State Act, and 67 institutes of national importance. Other institutions include 16000 colleges, including 1800 colleges exclusively for women, functioning under these universities and institutions. However, the literacy rate of 74% is still lower than the worldwide average of 84%. Further, there exists a severe disparity in literacy rates and educational opportunities between males and females, urban and rural areas, and among different social groups.

1.2.ii. Employment Inclusion: Employment in India is characterized by chronic (disguised) unemployment. Government schemes that target eradication of both poverty and unemployment (which in recent decades have sent millions of poor and unskilled people into urban areas in search of livelihoods) attempt to solve the problem by providing financial assistance for setting up businesses, skill honing, setting up public sector enterprises, reservations in governments, etc. The decline in organised employment due to the decreased role of the public sector after liberalisation has further underlined the need for focusing on better education and has also added political pressure on further reforms. Labour regulations in India are stringent even by standards of developing country and analysts have urged the government to abolish or modify them in order to make the environment more conducive for employment generation. According to Bureau of Labor Statistics (2015), the total labour force in India stood at 487 million and unemployment stood at 5.4% by the end of March 2015.

1.2.iii. Financial Inclusion: Financial inclusion may be defined as the process of ensuring access to timely financial services and adequate credit to vulnerable groups such as weaker sections and low income groups at an affordable cost. The main objective of financial inclusion is to take banking services to everybody to meet their entire savings, credit and remittances and all other financial products and services subsequently. In India, while 59% of adult population has bank accounts, 41% remains unbanked. According to National Sample Survey Organization(NSSO, 2006) data in the situation assessment survey on “indebtedness of Farmer Households”, 45.9 million farmer households in the country (51.4%), out of a total of 89.3 million households do not have access to credit, either from institutional or non-institutional sources. Further, only 27% of total farm households are indebted to formal sources. This shows the need for speeding up the financial inclusion policy.

1.2.iv. Infrastructure inclusion: Government of India estimated that by 2011, 37% of the Indian population lived below the poverty line away from various infrastructure facilities. Housing, transportation, electricity, communication, health care etc, are major infrastructure facilities that are out of reach for around 40% of the Indian population. According to the survey of Times of India on “Infrastructure in India” (2013), the average room length is 103 sq ft per person in rural areas and 117 sq ft per person in urban areas. All the government programmes were relied upon the programmes such as the Food for Work Programme and National Rural Employment Programme of the 1980s, which attempted to use the unemployed to generate productive assets and build rural infrastructure.

The Indian Government estimated that by the end of 2013, 600 million Indians had no electricity supply at all. While 80% of Indian villages had an electricity line, just 44% of rural households had accessibility to electricity. It is strange to know that the illegal and unaccredited use of electricity amounts to 1.5% of India’s GDP. Substantial improvements in water supply infrastructure, both in urban and rural areas, have taken

place over the past decade, resulted in access to safe drinking water rising from 66% in 1991 to 92% in 2001 in rural areas, and from 82% to 98% in urban areas. However, quality and availability of water supply remains a major problem even in urban India, with most cities getting water for only a few hours in a day. India has the world's third largest road network, covering about 3.3 million kilometers and carrying 65% of freight and 80% of passenger traffic. Container traffic is growing at 15% a year. By the end of 2014, India has a national tele density rate of 67.67% with 806.1 million telephone subscribers where two-thirds of them were from urban areas

1.2.v. Social Inclusion: Social exclusion is the denial of equal opportunities imposed by certain groups of society upon others which leads to inability of an individual to participate in the basic political, economic and social functioning of the society. The vision of inclusiveness must go beyond the traditional objective of poverty alleviation to encompass equality of opportunity, as well as economic and social mobility for all sections of society, with affirmative action for SCs, STs, OBCs, minorities and women. There must be equality of opportunity to all with freedom and dignity, and without social or political discriminations. In 1960, a list identifying 405 Scheduled Castes and 225 Scheduled Tribes was published by the Central Government. An amendment was made to the list in 1975, which identified 841 Scheduled Castes and 510 Scheduled Tribes. As per census 2011, the total percentage of Scheduled Castes and Scheduled Tribes combined was found to be 24.5% of total population at which Scheduled Castes accounting for 17% and the Scheduled Tribes accounting for the remaining 7.5%.

1.3. Introduction to Financial Inclusion

India is a vast country having 35 states and Union Territories, 644 districts and around 60,000 villages widely dispersed terrains. It contains multilingual and multi-ethnic societies. It is the 2nd highest populated country in the world and holds 7th geographical position in the world. As per NSSO report (2006), only 10% population is covered with life insurance and just 9.6% population is covered with non-life insurance services, and

only 30000 villages, i.e. 50% of the total villages have commercial bank branch. This necessitates a special policy exclusively to reach out to the unreached areas.

1.3.i. Evolution of Financial Inclusion Plan (FIP) in India: Financial Inclusion, though not called by this name had existed since the introduction of lead bank scheme in 1969. The Reserve Bank of India setup a commission under the Chairmanship of Mr. Khan in 2004 to look into Financial Inclusion and the recommendations of the commission were incorporated into the Mid-term review of the policy (2005-06). Further, in order to address the issues of financial inclusion, the Government of India constituted a “Committee on Financial Inclusion” under the Chairmanship of Dr. C. Rangarajan. The Committee submitted its final report to the Honourable Union Finance Minister on 04 January 2008.

1.3.ii. Financial Inclusion - Definition: Government of India’s Committee on Financial Inclusion (2006) defined financial inclusion as *“the process of ensuring access to financial services and timely and adequate credit where needed to vulnerable groups such as the weaker sections and low income groups at an affordable cost in a fair and transparent manner by regulated, mainstream institutional players”*.

The above definition focuses mainly on inclusion of so far excluded people into financial systems. Therefore, it is the most important point to evaluate who actually were excluded. The main excluded sections are marginal farmers, landless labourers, slum dwellers, migrants, ethnic minorities, socially excluded group, senior citizens, women etc.

1.3.iii. Main reasons for Financial Exclusion

- Physical access: Staying in remote, hilly and sparsely populated areas with poor infrastructure is the main cause for financial exclusion.
- Demand side: Lack of awareness, low incomes/assets, social exclusion, and illiteracy restrict people to have an account with formal financial institution.
- Supply side: Distance from branch, branch timings, cumbersome documentation and procedures, unsuitable products are the main reasons for financial exclusion.

In view of addressing the above said constraints to obtain formal financial services, Government of India has introduced Financial Inclusion Plan as its growth policy. It is to understand that the Financial Inclusion and Financial Literacy are twin pillars of FIP and they are firmly considered as a necessity for a country.

1.3.iv. Objectives of Financial Inclusion:

Supply Side:

- **Savings:** It comprises opening of Savings Accounts and Term Deposits. Financial Inclusion focuses mainly on opening of accounts, increasing transactions of savings and withdrawals and keeping the accounts active.
- **Micro Credit:** Credit is the boost for further investment in various areas like expansion of business, agriculture, new entrepreneurship etc.
- **Insurance Products:** Micro Insurance which includes health, crop, life, accidents etc. is the major focus of financial inclusion. It also includes insurance covered under Micro Pension scheme.
- **Remittances & Payments:** Electronic fund transfer for social benefits through formal delivery channel is one of the areas on which financial inclusion focused.

Demand Side:

- **Financial Literacy & Financial Advisory Services:** Providing adequate financial literacy and financial advisory services is also a major portion for which FIP needs a broader focus.

1.3.v. Significance of Financial Inclusion:

- Financial Inclusion leads to increase in savings, investments and thereby, spurs the process of economic growth.
- It also provides a platform for inculcating the habit of saving money, especially amongst the lower income category that has been living under the constant shadow of financial duress.
- It also creates avenues of formal credit to the unbanked population who are otherwise dependent on informal channels of credit like family, friends and moneylenders. Availability of timely, adequate and transparent credit from formal banking channels allows the entrepreneurial spirit of the masses to increase output and prosperity in the countryside.
- Financial Inclusion is now viewed as a remedy to plug gaps and leaks in distribution of government benefits and subsidies through direct benefit transfers to beneficiaries' bank accounts.
- Financial Inclusion solves problems like distance from branch, limited branch timings, cumbersome documentation and procedures, unsuitable products etc.

Thus, on the whole, Financial Inclusion has the potential to bring the unbanked masses into the formal banking system, channelize their savings, stoke their entrepreneurial ambitions by making credit available to them and thus give a fillip to the economy.

1.3.vi. Role of Banks in Financial Inclusion Plan (FIP): Taking banking services to common man is the main motto of financial inclusion plan. FIP can be achieved through state-driven intervention by the way of statutory enactments and voluntary effort by the banking community for evolving various strategies to bring unbanked within the ambit of the banking sector. Banks are vital to bring the financial inclusion as the bankers are mobilisers of savings and allocators of credit to the needy people. Savings and credit facilities enhance the investments of public into various sectors and it leads to sustainable and substantial development of a country.

PART - B

1.4. Literature Review

Ravallion and Chen (2003) stated that inclusive growth ensures the participation of public in the growth process and it also makes sure that everyone shares the benefits of growth equitably. In fact, participation without benefit sharing will make growth unjust and sharing benefits without participation is unfair.

Ali I. and Hwa Son, H. (2007) defines inclusive growth as ‘growth that not only creates new economic opportunities, but also one that ensures equal access to the opportunities created for all segments of society, particularly for the poor. Inclusive growth depends on two factors; average opportunities available to the population and how opportunities are distributed across different socioeconomic and income groups.

Vittal (2007) explained that the inclusive growth definition is in line with the absolute definition of pro-poor growth, but not the relative definition. Under the absolute definition, growth is considered to be pro-poor as long as poor people benefit in absolute terms, as reflected in some agreed measure of poverty. In contrast, in the relative definition, growth is “pro-poor”, only if the incomes of poor people grow faster than those of the population as a whole, i.e., inequality declines. In short, inclusive growth is about raising the pace of growth and enlarging the size of the economy, while laying a level playing field for investment and increasing productive employment opportunities.

Gokarn and Subir (2010) viewed that the rapid, sustained and inclusive growth will take place when large number of people move from low-productivity jobs to high-productivity ones. The less effective growth process is in non-creating jobs, both in terms of numbers and quality, the greater the political instability and also in the less sustainable growth. He also states that one approach of Financial Inclusion may be to

considering people who are below the poverty line and another way is to look at employment and consider only those who are in the organised sector.

According to Mahendra Dev. S (2010) agriculture, poverty, food security and employment, social sector, and regional disparities etc. are the key elements to inclusive growth. The growth and equity objectives should be pursued simultaneously. The causes of financial exclusion were broken down into insufficient income, discrimination, contractual/information framework, price and product features. He also felt that different banks across the world have different terms and conditions to opening accounts with them. Terms such as initial deposit, the amount of minimum/maximum balance etc. go a long way to have an effect on the extent of financial inclusion.

McKay (2008) stresses the importance of promoting broad-based growth for a sustained growth. It outlines some of the barriers that the poor face in participating in growth opportunities. Economic insecurity and high levels of vulnerability mean that the poor are less likely to engage in risk-taking activities, which have the potential to be more profitable. Many of the poor live in more remote areas or they are members of long-term disadvantaged groups – and thus tend to be less well served by public policies and have less access to growth opportunities. A lower level of assets, including human capital, limits the scope of participation by the poor in growth. The author recommends three ways in which policy makers can redistribute the benefits of growth. Redistributive public expenditures to break the intergenerational transmission of poverty, increasing the rate of job creation from growth and broad-based sectoral growth, particularly supporting food crop agriculture are the three ways to redistribute the benefits of the growth.

The review of Asia Development Bank (2010) literature highlights that quality of infrastructure, agriculture and the rural economy, agricultural technologies, partnerships between government and the private sectors etc. are the essential factors for Inclusive Growth.

Higgins, K. and Prowse, S. (2010) explained that Financial Inclusion is an opportunity to restructure policies to achieve a new vision based on faster, more broad-based and inclusive growth. There is an urgency to introduce a policy to reduce poverty and to focus on bringing the various divides that continue to fragment our society.

The World Bank report 2006 has stated that inclusive economic growth can be achieved by focusing on expanding the regional scope of economic growth, expanding access to assets and thriving markets, and expanding equity in the opportunities for the next generation of Indian citizens.

Bolt and Richard, 2004 felt that in an Inclusive Growth all groups of people participate in the economic growth and get benefits equitably from it. Thus inclusive growth represents an equation – with organization on the left-hand side and benefits on the right-hand side.

Chakrabarty K. C 2009 explained that financial liberalization has led to an increase in the complexity of financial products and providers. The liberalization of the financial system is comprised of high levels of administrations of financial institutions and it is measured with the presence of interest rate controls, credit controls, entry barriers, capital account restrictions and supervision of the banking sector.

Beck, T., Demirgüç-Kunt, A. and Honohan, P. (2009) viewed that financial development is both pro-growth and pro-poor. It is to be noticed that physical and social distance, inadequate documentation, insufficient resources, inadequate information of financial services etc. are the main hurdles of financial inclusion.

Dr. Vijay Kelkatar highlighted that in developing countries access to finance is positioned as a public good, which is as important and basic as access to safe water or primary education.

Al-Hawari, (2005) noted that the service environment is becoming very competitive and is featured by many demanding customers, and that banks are seeking various ways of getting more unreached areas. Even so, many parts of the underdeveloped world do not share a similar view in terms of availability of banking services at their disposal. In some areas of concern, there is the issue of long distances between communities and bank branches and also the unavailability of cheaper banking facilities. Some of them incur some amount of cost on wanting to have access to ATMs or other banking services. Sometimes, the issue could be that some people do not see the need for these services and so banks have to devise several means of easing off the pressures of accessing these services.

Dr. Karmakar K. G. (2010) explained the components of financial inclusion in India are set out as: savings, micro credit/micro loans, insurance products like micro insurance, crops, assets, health and accidents, micro pension, remittances & payments through Electronic Fund Transfer.

Sinclair (2009) explained that low income means a lack of adequate demand for services. He stated that such a lack of demand can be attributed to the failures and limitations of services from the providers of such services.

Ramesh. S and Preeti Sahai (2009) opined that the BC framework is a step in the right direction and this direction needs some means to achieve the scale to bring financial inclusion. The banks, apart from engaging a BC, would like to have a proper staff within the BC entity that would undertake banking related activities. Training the staff of BCs on basic banking and good quality customer service therefore becomes the responsibility of the principal bank. Eventually, the customer comfort is derived from the banking backbone and not from the strength of BC or of the BC's staff. Making the BC staff aware of issues relating to bank's image and reputation and the need to protect the same has to be built into training programmes by banks. The cost of training and

raising awareness on part of BC agents has to be met by the bank or otherwise the BC may not invest in human capacity required for carrying out what might be regarded as an agency work.

Amol Agarwal (2008) explained that various innovative steps by RBI like introduction of no-frill accounts, simple KYC norms, easier credit facilities, usage of technology etc. make the financial inclusion more effective and efficient.

Kempson and Whyley (1999) identifies five major forms of financial exclusion – *access exclusion*, where segments of population remain excluded from the financial system either due to remoteness or due to the process of risk management of the financial system; *condition exclusion*, when exclusion occur due to conditions that are inappropriate for some people; *price exclusion*, when the exclusion happens due to unaffordable prices of financial products; *marketing exclusion*, when exclusion occurs due to targeted marketing and sales of financial products; and *self-exclusion*, that takes place when certain groups of people exclude themselves from the formal financial system owing to fear of refusal or due to psychological barriers. Thus, financial inclusion is a multidimensional phenomenon.

Joseph Massey (2010) said that the role of financial institutions in a developing country is vital in promoting financial inclusion. Banks help to opening of Savings Accounts and Term Deposits, Micro credit and Micro Insurance which includes health, crop, life, accidents etc. and also helps to transfer the EFTs.

Mandira Sarma and Jesim Paise (2008) suggest that the issue of financial inclusion is a priority development policy in many countries. Among socio-economic factors, as expected, income is positively associated with the level of financial inclusion. Further, physical and electronic connectivity and information availability, indicated by road network, telephone and internet usage, also play a positive role in enhancing financial inclusion.

Michael Chibba (2009) noted that banks should have a proper staff to render banking related activities. Providing training to the staff on basic banking services and rendering good quality customer service is the responsibility of the principal bank.

Oya Pinar Ardic (2011) explained that financial exclusion refers to those processes that serve to prevent certain social groups and individuals from gaining access to the formal financial system.

According to **Sinclair (2001)**, financial exclusion means the inability to access necessary financial services in an appropriate form. Exclusion can come about as a result of problems with access, conditions, prices, marketing or self-exclusion in response to negative experiences or perceptions.

According to **Kendall (2010)**, in developing countries there is an estimate of 0.9 accounts per adult and 28% banked adults. He states that the rise of financial inclusion as an important policy goal is due in part to mounting evidence that access to financial products can make a positive difference in the lives of the public. Financial exclusion is a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society to which they belong.

Kempson (2006) gave some explanations to the reasons why people are financially excluded. He said that these reasons could vary from country to country. He stated the importance of required identification and documents, the terms and conditions of bank accounts, levels of bank charges, physical access and cultural barriers in financial inclusion. Various types of people with the right means of identifying themselves especially who are homeless and unemployed fail to meet the bank's requirements to open an account. Everywhere around the world, banks require a certain proof of identity before some kinds of services are offered. People with limited income and with

some disabilities represent a high risk to the financial institutions, who then avoid such geographical locations where these people reside.

Wallace and Quilgars (2005) stated that the inability to have access to certain financial services could be due to various reasons like; travel distance, disabilities, or level of knowhow. It can also be caused by bank closures which are due to the intense level of competition and economics in international banking. The main barrier to financial inclusion in rural areas is the great distances that rural residents must travel to reach a bank branch. In countries with high levels of financial exclusion, self exclusion by individuals with low or no income is more of the reason for lack of access to banking services than direct exclusion by the banks refusing to open accounts.

Duvvuri Subbarao (2008) stated that the most important initiative of the Reserve Bank has been the Business Correspondent (BC) model. The BC model ensures a closer relationship between poor people and the organized financial system. Recognising this, in 2006, RBI permitted banks to use the services of non-governmental organizations, Micro Finance Institutions, retired bank employees, ex-servicemen, retired government employees, Section 25 companies and other civil society organizations as Business Correspondents in providing financial and banking services.

Rajalaxmi Kamath (2007) stated that the potential for increasing outreach through branchless banking where two models have been detailed, viz., the bank-agent model and the e-banking model in which a variety of financial transactions can take place through e-money without a bank account. The cost of training and raising awareness on part of BC agents has to be met by the bank or otherwise the BC may not invest in human capacity required for carrying out what might be regarded as an agency work.

PART - C

1.5. Objectives and Methodology

1.5.i. Research Gap:

In India, the Business Correspondent model is in its infancy stage even after eight years of policy introduction. Though scientific research has been done by a few of the Micro Finance Institutions like BASIX, Sa-Dhan, Zero Mass Foundation etc., their major focus has been on the perspective of Business Correspondents but not from the clients' side. Reports by Reserve Bank of India(RBI), Government of India (GoI) and National Bank for Agriculture and Rural Development (NABARD) focuses mainly on quantitative analysis rather than behavioural and psychological analysis. From the above literature review, researcher has identified variables like savings, Investment, living standard, health and education, nutrition, financial literacy, credit availability etc. In this thesis, the researcher has tried to fill this gap by analysing the satisfactory level of Business Correspondents as well as perception of account holders.

1.5.ii. Need for the study

With efforts of various banks and the Business Correspondents, substantial progress has been achieved in quantitative terms in establishing BCs across the country. The latest data available indicated by Sa –Dhan is that until Mar 2013, 96,828 BCs or CSPs have been established in the country and it raised up to 2,00,000 by the end of March 2015. The total number of No Frill Accounts (NFAs) opened through BCs are around 103 Million and the transactions are numbered to 7,00,00,000 by the end of March 2015. Various statistical reports show the success of Financial Inclusion Plan in India. In this context, it is very important to know the perception of account holders regarding the BC model as this model is crucial element of Financial Inclusion Plan. Though statistically the achievement is impressive, the net result on the field appears mixed. There has been criticism emanating from various quarters that the scheme is not delivering what it is intended to. A study of this nature was thought in this context to have a look at the scheme holistically and suggest changes that are needed to increase

the momentum of implementation to realize the financial inclusion goals of the Government of India and suggest a path towards sustainability.

1.5.iii. Scope of the Study:

The scope of the study is restricted to select Telangana districts. The sample respondents are drawn from 20 identified villages from two select districts. i.e Mahaboob nagar and Warangal. Business Correspondents and Account Holders are from select banks. i.e Andhra Bank from Mahaboobnagar District and SBI from Warangal District. The socio economic factors namely, age, gender, education, income, occupation are considered in the study. The study attempts to understand the overall satisfaction of the BCs' in their profession and the perception derived by the accountholders by using the BC model.

1.5.iv. Objectives of the Study:

The main objective is to study the effectiveness of financial inclusion through business correspondent model. In order to study financial inclusion through business correspondent model, the following have been spelt out as sub objectives.

To examine the role (initiatives) of Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) in financial inclusion through Business Correspondent (BC) Model.

- To study the working of Business Correspondent (BC) Model in accessing the financial services.
- To analyse the approach and effectiveness of banks in financial inclusion by using Business Correspondent Model.
- To study the perception of end beneficiaries regarding the services provided by Business Correspondents and
- To analyse the satisfaction levels of Business Correspondents.

1.5.v. Research Hypotheses: From the above objectives, the following hypotheses are formulated to test the perception and satisfaction levels of account holders and Business Correspondents.

Perception of Account Holders:

- H1 : There is a significant relationship between motivation to open an account and the status of account of respondents.
- H2 : There is a relationship between category of person who motivates to open an account and the status of account of respondents.
- H3 : There is a significant impact of level of income on status of account of respondents.
- H4 : There is a significant relationship between level of income and savings of account of respondents.
- H5 : There is a significant relationship between income and withdrawals of respondents.
- H6 : There is a significant relationship between income and expected loan amount of respondent.
- H7 : There is a significant relationship between level of income and affordable investment on micro insurance products.
- H8 : There is a significant impact of savings on overall impression Business Correspondent model between Andhra Bank and State Bank of India.
- H9 : There is a significant impact of societal aspects on overall impression on Business Correspondent model between Andhra Bank and State Bank of India.
- H10 : There is a significant relationship between aspiration factors to open an account and an overall impression on Business Correspondent model.
- H11 : There is a significant relationship between accessibility factors to open an account and an overall impression on Business Correspondent model.
- H12 : There is a significant relationship between availability factors to open an account and an overall impression on Business Correspondent model.

- H13 : There is a significant relationship between affordability factors to open an account and an overall impression on Business Correspondent model.
- H14 : There is a significant impact of psychological factors on the overall impression of Business Correspondent model.
- H15 : There is a significant impact of financial factors on the overall impression of Business Correspondent model.
- H16 : There is a significant impact of health and educational factors on the overall impression of Business Correspondent model.
- H17 : There is a significant impact of societal factors on the overall impression of Business Correspondent model.

Satisfaction Levels of Business Correspondents:

- H18 : There is a significant relationship between financial factors and the overall satisfaction of Business Correspondents of Andhra Bank (AB) and State Bank of India (SBI).
- H18a : There is a significant relationship between timely receipt of remuneration and the overall satisfaction.
- H18b : There is a significant relationship between amount of remuneration and the overall satisfaction.
- H18c : There is a significant relationship between the remuneration being met with bare necessities and the overall satisfaction.
- H18d : There is a significant relationship between timely receipt of commission and the overall satisfaction.
- H18e : There is a significant impact on financial condition after joining as Business Correspondent and the overall satisfaction.
- H19 : There is a significant relationship between non-financial factors and overall satisfaction of Business Correspondents of Andhra Bank and State Bank of India.

- H19a : There is a significant relationship between working environment and the overall satisfaction.
- H19b : There is a significant relationship between response from banks and the overall satisfaction.
- H19c : There is a significant relationship between response of account holders and the overall satisfaction.
- H19d : There is a significant relationship between the present condition of job and the overall satisfaction.

1.5.vi. Research Methodology:

i). Research Design and Sampling Plan: The research was carried out after reviewing most of the available literature about the scheme globally and within the country. Exploratory and descriptive types of research design are adopted for the study. Both primary and secondary sources of data were used for the study. RBI and NABARD, Banks (focus on Andhra Bank and SBI), Service Providers/ Technology providers, Business correspondents and account holders through BC are the important stakeholders for study.

Collection of Primary Data:

Primary Data was collected from the following stakeholders:

- i) Account holders who opened account through BC at Mahaboobnagar (Andhra Bank) and Warangal districts (State Bank of India) were selected for study. The table no. 1 shows the number of BCs appointed in undivided Andhra Pradesh (Includes Telangana Districts) and the total accounts opened through them. The total number of BCs are 6,651 and the accounts opened through them are 47,13,284. The highest numbers of accounts was opened through SBI and were followed by Andhra Bank. In view of understanding the penetration, process and hurdles to reach the unreached the highly performed banks i.e. Andhra Bank and SBI were selected for study.

Table No. 1

**Bank-Wise Details of Number of BCs Appointed and Accounts Opened
as on 31-03-2014**

S.No	Name of the Bank	Number of BCs appointed	Number of accounts opened
1	ALLAHABAD BANK	12	2989
2	ANDHRA BANK	1054	568824
3	BANK OF BARODA	48	44644
4	BANK OF INDIA	32	58904
5	BOM	10	3954
6	CANARA BANK	128	31256
7	CBI	101	68208
8	CORPORATION	66	19250
9	INDIAN BANK	263	102520
10	IOB	142	73358
11	PNB	28	2369
12	SBI	1387	1626085
13	SBH	696	470227
14	SYNDICATE BANK	366	378200
15	UCO BANK	20	3140
16	UBI	168	133610
17	VIJAYA BANK	43	16532
	PSBs Total	4564	3604070
18	DGB	252	77713
19	APGB	546	73913
20	APGVB	869	854996
21	SGB	176	5419
22	CCGB	128	88278
	RRBs Total	1971	1100319
23	ING VYSYA BANK	110	8263
24	SOUTH	1	632
25	KARNATAKA BANK	5	0
	Private Banks Total	116	8895
	GRAND TOTAL	6651	4713284

Source: 183rd SLBC Agenda, Andhra Bank, 2014.

A structured Questionnaire for account holders was administered on a sample of 1,000 from 20 villages from 2 districts.

Table No.2
Selection of Account Holders' sample (Villages Selected for the Study)

Total Respondents	Bank	District Covered	No.of Respondents	No.of Villages	Village Name	Population
1000	Andhra Bank	MBNR	500	10	Yedira	6775
					Sri Rangapur	6507
					Kollampalli	5476
					Rudraram	6082
					Manajipet	5067
					Mulkalapalle	2006
					Dagadapalle	2043
					Kamballapur	2079
					Dagada	2101
					Upparapalle	2145
						40,281
	SBI	Warangal	500	10	Jangedu	11508
					Dharmaraopet	7303
					Mannegudem	6532
					Chelpur	7068
					Nandanam	6242
					Padmapati Keshapur	2142
					Mylaram	2165
					Relakunta	2108
					Rajupet	2084
					Ullepalli	2231
						49,383
Total	2	2	1000	20	Total	89,664

Sources : census 2011

The sample is selected through purposive sampling method. The villages are chosen on the basis of population. Though the outcome is not affected by the selection of villages,

the researcher selected the top 5 and least 5 populated villages of both Mahaboobnagar and Warangal Districts. Scaling techniques namely, Likerts' five point rating scale and itemized scale were used to gather information about the account holder's perception on BC model, financial literacy and level of overall impression. Statistical techniques like Mean, Cross Tabulation, Chi-Square test, Factor analysis, AMOS (Analysis of Moment Structures, statistical software) were applied to draw inferences. The inferences drawn are purely based on views, opinions and experiences of the sample account holders.

- ii) To understand the satisfaction levels of Business Correspondents of Andhra Bank and SBI, appropriate questionnaire was prepared and the data was collected from both BCs of Andhra Bank from Mahaboobnagar and BCs of SBI from Warangal for the study.

Table No. 3
Selection of BC sample

Banks	Districts	Number of BCs	Number of BCs Responded
Andhra Bank	Mahaboob nagar	60	48
SBI	Warangal	98	66
	Total	158	114

Collection of Secondary Data:

- i) The reports of RBI and NABARD were reviewed and information was collected from authorized websites, reports, journals and newspapers. This helped in understanding the penetration and challenges of the BC model.
- ii) The Head, Financial Inclusion Cell, Andhra Bank was interviewed for collecting the required quantitative data.

- iii) The Project Manager of M/S Batronics (which is the service provider to Andhra Bank) was interviewed to understand the general challenges faced in the process of BC model.
- iv) Andhra Bank was holding the responsibility as SLBC to the undivided state of Andhra Pradesh. Reports of 181st, 182nd and 183rd meeting helped in collecting the relevant data.
- v) The data was collected for over a period of 4 months. Various official reports of RBI, Ministry of Finance, Rural Planning and Credit, Department, Department of Banking Operation & Development, Reserve Bank of India, NABARD, Indian Institute of Banking & Finance were reviewed.

1.5.vii. Pilot Survey and Reliability Test: A pilot study was conducted on 100 respondents to test the validity, reliability of the questionnaire and to ensure the adequacy and communicability of the questions. Adequate care was taken to see that the consumers have not misunderstood the wordings of questions. The language in the questionnaire was made simple, clear and free from technical jargon.

Table No. 4
Reliability Test of the Questionnaire

Particulars	Variables	Cronbach's Alpha	No. of Items
351 to 3510	Influencing factors to open account with BC	0.732	10
41 to 43	Savings and borrowing Behavior	0.730	03
51 to 53	Micro Insurance Investment	0.769	03
61 to 623	Awareness on financial products	0.919	23
71 to 715	Impact Assessment	0.902	15
8 and 9	Overall impression and Choice of BC model	0.707	02
	Total No. of Items		56

Source: Primary Data – SPSS Output

Measure of variables should have validity and reliability (Cronbach, 1971; Nunnally, 1978) in order to draw valid inferences from research. Hence Cronbach's alpha value was calculated across the variables. It was found that measurement instrument is reliable for analysis of various factors.

1.5.viii. Final Questionnaire: Two questionnaires were developed to collect the information separately from Account Holders and Business Correspondents. After measuring the reliability, the questionnaire was used to collect the data from customers. The final questionnaire for Account Holders had 29 questions which were organized into 10 parts, so that it would be convenient to analyse and understand the consumer's level of impression towards BC Model. The first part had 4 questions related to demographic profile of the respondents consisting of *Name, Age, Occupation* and *Literacy*. The second part had 5 questions on family profile comprising of *Marital Status, Residential Status, Structure of Residence, Family Income* and *Size of the Family*. In the third part, the researcher tried to get information about motivational factors and status of account of the account holder through including 4 questions, and also a question related to the influencing factors which led to the opening of an account with BC. The 4th part contained 8 questions on saving and withdrawal behavior of account holder. The 5th part of the questionnaire contained investments on micro insurance. The 6th part consisted of questions on awareness on financial services and products. The researcher tried to find the impact of BC model through impact assessment in the 7th question. The 8th question was on overall impression on BC model, the 9th question was on reliability of choosing the BC model and the 10th question was an open ended question which was designed to find the general problems that are being faced by the Account holders using BC model.

A separate questionnaire consisting of 17 questions was developed to collect the required information from the BCs. Basic data like name, address, bank name, age, education, were asked in the 1st part of the questionnaire. In the 2nd part, model

implementation details like target number of accounts and accounts actually opened, value of transactions per month, income and expenditure of BC per month were included. The 3rd question sought reasons to work as BC model. The 4th question contained motivational factors, the 5th question consisted of financial factors, the 6th consisted of a question on satisfaction, the 7th comprised of a question on perception of BC and the 8th question contained responsiveness of banks. Few open ended questions were included on operational problems, steps that were adopted to attract potential customers and suggestions of BC to make this model more effective. The 9th question contained overall satisfaction of BC.

1.5.ix. Data Collection and Analysis:

The data gathered from the questionnaire was compiled and a master sheet using MS-Excel was prepared. The data was processed and analysed with the help of SPSS 20 package. Statistical techniques of analysis such as percentages, mean scores and inferential techniques like cross tabulation and chi-square test, factor analysis and Structural Equation Model (SEM), Statistical Software “AMOS” were used in analysing the data.

The collected responses from the questionnaires were tabulated for further analysis. To study the overall impression, Likert's' five point scale was used ranging from highly dissatisfied (1) to highly satisfied (5). Total score of perception of account holders was summed up and mean score was arrived at by dividing the total score by sample size. i.e 1000. After analysis and interpretation of the data, appropriate and meaningful conclusions as well as suggestions were drawn.

1.5.x. Limitations of the study

This study could not cover the earnings and the cost of service provider. The selection of districts was done on the basis of oral discussion with the bank managers concerned. Few of the findings, recommendations and conclusions were drawn based on the observations during the field visit.

1.5.xi. Chapterisation

The thesis is divided into seven chapters comprising of:

Chapter 1: Chapter 1 titled “Introduction” and this has three parts. Part A titled “Inclusive Growth and Financial Inclusion” is introductory in nature and deals with concepts of Inclusive Growth, Financial Inclusion, Business Correspondent Model and Business Facilitator Model. It gives the basic idea about components of Inclusive Growth, objectives of Financial Inclusion, significance, scope and various models of Financial Inclusion. It also focuses on hurdles to Financial Inclusion and approach of Financial Inclusion in various countries. Part B titled as “Literature Review” presents a detailed review of literature and it is segmented into three parts i.e Inclusive Growth, Financial Inclusion and Financial Inclusion through Business Correspondent Model. Part C titled “Objectives and Methodology” gives a description of methodology adopted in conducting the study. It outlines the need, Scope, Research Gap, Objectives, Hypotheses, sampling plan, pilot study and limitations of the study.

Chapter 2: The second chapter, titled “Financial Inclusion Plan (FIP) - Policy Framework”, focuses mainly on the progress of banking Sector in India. It also gives information about region wise distribution of banking services, position of households availing banking services in India, banking operations in Andhra Pradesh etc. This helps to understand the role of banking sector in implementing the Financial Inclusion Plan in India. This chapter also provides a brief description of FIP policy in India, role of RBI, Government of India and NABARD in Financial Inclusion Plan. It also deals with achievements of FIP in India and future goals of financial inclusion plan.

Chapter 3: The third chapter, “Business Correspondent Model: The Concept” outlines the overview on various delivery channels of financial services exclusively to the rural segment. This chapter focuses on the Models of Financial Inclusion, concept of Business Correspondent Model, objectives, role and duties of a Business

Correspondent, eligible entities, selection criteria and activities of BC. It also focuses on the Business Facilitator Model, objectives, selection criteria, activities and security deposit required. Finally it also gives basic information about service provider, objectives of service provider and selection criteria.

Chapter 4: The fourth chapter titled “Progress of Financial Inclusion Plan” focuses on the parameters of Financial Inclusion, statistical information of BSBD accounts, KCC/GCC disbursements, Micro Insurance Products, remittances etc. It also focuses on challenges of Financial Inclusion Plan.

Chapter 5: The fifth chapter is titled “BC Model of Financial Inclusion – Account Holders’ Perspective: Analysis on perception of Account Holder, focuses mainly on demographic profile of the account holders and gives inferences on the overall opinion of the account holders by using BC model.

Chapter 6: The sixth chapter titled, “BC Model of Financial Inclusion: Business Correspondents’ Perspective” gives an overview on the Business Correspondent Model and also provides information of analysis on satisfaction levels of Business Correspondents.

Chapter 7: The concluding chapter titled as “Summary, Suggestions and Conclusion”, summarises the study with the main findings, conclusions, suggestions, contribution and scope for further research.

CHAPTER – II

FINANCIAL INCLUSION PLAN (FIP) - POLICY FRAMEWORK

In India, banks have a large outreach and the role of commercial banks in sustainable development is linked to increase in savings and credit provision especially in rural areas. Banks helps rural households to accumulate savings and investments. Undoubtedly, the participation of commercial banks in Financial Inclusion Plan (FIP) is not only a necessity but also an obligation. This chapter gives information about region wise distribution of banking services, position of households availing banking services, banking sector in India, and banking operations in Andhra Pradesh. This helps to understand the role of banking sector in implementing the Financial Inclusion Plan in India. This chapter also describes briefly about Financial Inclusion Plan (FIP) in India and the roles of RBI, Government of India and NABARD in Financial Inclusion Plan.

2.i. Banking Sector in India:

According to the Central Banking Enquiry Committee (1931), money lending activity in India has begun in 1400 BC. The formal banking business started by Bank of Bombay, which was established in the year 1720 in Bombay. In India, English Agency Houses, which were performing banking business through East India Company, established the Bank of Bengal (1806), Bank of Bombay (1840) and Bank of Madras (1843). These banks were also known as “Presidency Banks”. In 1921, Imperial Bank of India was established by amalgamating the three presidency banks. In the year 1935, the Reserve Bank of India came into existence as the Central Bank of the country. However, after independence, the Reserve Bank Act 1948 was passed and the Reserve Bank of India started functioning as a nationalized bank from January 1, 1949. The main functions of the Reserve Bank of India are categorized as (a) to act as a banker to the Government; (b) to issue notes; (c) to act as a banker to other banks; and (d) to maintain the exchange ratio. Another landmark in the banking history was

nationalization of banks. The Government of India nationalised 14 banks through Ordinance in 1969. The Central Bank of India, Bank of Maharashtra, Dena Bank, Punjab National Bank, Syndicate Bank, Canara Bank, Indian Overseas Bank, Indian Bank, Bank of Baroda, Union Bank, Allahabad Bank, United Bank of India, UCO Bank and Bank of India were nationalized in 1969. In view of restricting the supremacy of private sector banks another six banks, viz. Andhra Bank, Corporation Bank, New Bank of India, Oriental Bank of Commerce, Punjab and Sind Bank, and Vijaya Bank were nationalised in April 1980. There were around 1258 Schedule banks by the end of 1935 and they rose up to 2,956 by the end of 1945.

2.ii. A glance at banking sector in India:

- There were around 27 public sector banks, 22 private sector banks and 196 Regional Rural Banks (RRB) having a wide range of banking network by the end of March 2014. (RBI report, 2014)
- There were around 1,02,343 bank branches (70,421 Public Sector Banks with 68.8% of total branches, 14,584 Private Sector Banks with 14.25% of total branches, 331 Foreign banks with 0.32% of total branches and 17,007 Regional Rural Banks with 16.7% of total branches) having total accounts around 32,09,02,390 as on 31st March 2014. It is observed that a major share of accounts is held by the Public Sector banks and followed by Regional Rural Banks (RRBs). Private Banks hold has less a penetration comparatively with that of public sector banks and RRBs. (RBI report, 2014)

Out of 3,29,02,390 total accounts of banking services in India, 27.44 per cent of total accounts are in South region, 20.71 per cent in Central India, 17.65 per cent in North region, 16.42 per cent in West region, 15.48 per cent in East and at last 2.3 per cent in North East India. So, it is noticed that, the proportion of accounts are higher in South India and there is an urgent need for a special focus on North East regions.

Table No: 5

Position of households availing banking services (As per Census 2001 and 2011)

<i>As per Census 2001</i>		Number of households availing banking services	Percent	<i>As per Census 2011</i>		
Households	Total number of households			Total number of households	Number of households availing banking services	Percent
Rural	138,271,559	41,639,949	30.1	167,826,730	91,369,805	54.4
Urban	53,692,376	26,590,693	49.5	78,865,937	53,444,983	67.8
Total	191,963,935	68,230,642	35.5	246,692,667	144,814,788	58.7

Source: Census 2001 and 2011.

Percentage of Growth in Households:

$$\frac{\text{No. of Households in 2011} - \text{No. of Households in 2001}}{\text{No. of Households in 2001}} \times 100$$

$$\text{Rural: } \frac{167,826,730 - 138,271,559}{138,271,559} \times 100 = 21.3\%$$

$$\text{Urban: } \frac{78,865,937 - 53,692,376}{53,692,376} \times 100 = 46.88\%$$

Percentage of growth in Number of Households availing banking services:

$$\frac{\text{No. of Households having accounts in 2011} - \text{No. of Households having accounts in 2001}}{\text{No. of Households having accounts in 2001}} \times 100$$

$$\text{Rural: } \frac{91,369,805 - 41,639,949}{41,639,949} \times 100 = 119\%$$

$$\text{Urban: } \frac{53,444,983 - 26,590,693}{26,590,693} \times 100 = 100\%$$

As shown in the table 5 above, there is an increase of 21.3% households in rural region and surprisingly the increase in households having bank account is 119%. On the other hand, urban regions in India have increased to 46.88% and the increase in households having bank account is 100%. It can be assumed that people in rural regions are as interested as urban regions to obtain financial services and therefore it is the responsibility of bankers to focus and motivate the rural segments and find suitable ways to reach them.

Table No. 6
Banking Operations in Undivided Andhra Pradesh

S. No	Particulars	As on 31.03.2010	As on 31.03.2011	As on 31.03.2012	As on 31.03.2013	As on 31.03.2014
1	Number of Branches:					
	Rural	2857	2997	3245	3555	3645
	Semi Urban	1941	2107	2327	2582	2683
	Urban	1922	2030	2096	2189	2210
	Metro	956	1077	1210	1313	1584
	Total	7676	8211	8878	9639	10122
2	Deposits (Rs. Crores)	2,45,686	2,83,600	3,41,894	4,00,209	4,60,420
3	Incremental Deposits (% of increase)	39,787 (19.32%)	37,914 (15.43%)	58,294 (20.55%)	58315 (17%)	60211 (15%)
4	Advances (Rs. Crores)	2,69,760	3,27,275	3,94,398	4,71,623	5,66,740
5	Incremental advances (% of increase)	59,466 (28.28%)	57,515 (21.32%)	67,123 (20.51%)	77,225 (19.58%)	95,117 (20%)

Source: SLBC 182nd & 183rd report of Andhra Bank

Number of bank branches in the State as on 31.03.2013 are 9639. Deposits of Banking sector in undivided Andhra Pradesh were Rs.4,00,209 crores at the end of March, 2013 with a growth rate of 17.06 % from March, 2012. Aggregate advances of banking sector in A.P. by the end of March, 2013 were Rs.4,71,623 crores registering a growth rate of 19.58% over March, 2012.

Number of bank branches in the State as on 31.03.2014 are 10,122. Deposits of Banking sector in undivided Andhra Pradesh were Rs.4,60,420 crores at the end of March, 2014 with a growth rate of 15.00 % from March, 2013. Aggregate advances of banking sector in undivided Andhra Pradesh by the end of March, 2014 were Rs.5,66,740 crores registering a growth rate of 20% over March, 2014.

The above statistical information (SLBC report, 2014), proves that Banks absolutely allow rural households to accumulate savings and investments. Undoubtedly, the participation of Commercial Banks in FIP is not only a necessity but also an obligation.

2.iii. Financial Inclusion Plan (FIP) – Introduction:

Meeting the basic needs is a fundamental right of every citizen of a country and it is also a fundamental duty of the Governments to provide the population with the same. But, inefficient system, inadequate resources, improper policy implementation in India led to huge economic and social disparities. As far as Banking Sector is concerned, it always tried to eradicate disparities in terms of economy. A special policy focusing on provision of Financial Services was needed to reduce the financial differences. Hence, a policy called Financial Inclusion Plan has emerged.

2.iv. Evolution of FIP policy in India:

Phase 1:

Though it is not called by that name, Financial Inclusion had existed since the introduction of lead bank scheme in 1969. Before 1967, the banking needs of the rural areas in general and backward areas in particular were not taken care of by the

Commercial Banks, and the credit needs of Agriculture, SSI and allied activities remained neglected. Therefore, under the Chairmanship of Prof. D R Gadgil, The National Credit Council was set up in December, 1967 to determine the priorities of bank credit among various sectors of the economy. As per the recommendations of the committee, Lead Bank Scheme (LBS) was introduced in 1969. The basic idea was to have an “area approach” for targeted and focused banking. Similarly, the banker’s committee, headed by F. S. Nariman, concluded that the districts would be the units for area approach and each district could be allotted to a particular bank which will perform the role of a Lead Bank. Under the Lead Bank Scheme, each district was assigned to different banks (public and private) to act as a consortium leader to coordinate the efforts of banks in the district particularly in matters like branch expansion and credit planning.

District Consultative Committee (DCCs): An important development in the history of LBS was the constitution of DCCs in all the districts to facilitate co-ordination of the activities of all the Banks and the financial institutions on the one hand and other related government departments on the other hand. The DCCs were constituted in the lead districts during 1971– 73.

District Credit Plan (DCP): The next most important phase of the LBS was formulation of DCPs and their implementation. Although certain structural credit gaps were identified earlier, positive measures were introduced only after nationalization of the banks. Certain sectors which were hitherto neglected were given priority, and banks were asked to provide credit to these sectors in a more concerted way.

Village Adoption Scheme (VAS): Under this, the banks adopted some villages in their command area for intensive lending. In the VA Scheme, RBI encouraged banks to adopt villages and instructed banks to avoid scattered lending.

The Lead Bank Scheme which was launched three decades ago has not been fully able to achieve its targets due to shift in policies, complexities in operations, lack of

coordination between district planning authorities and banking institutions, and lack of coordination between NABARD and the Lead Bank.

Though LBS was found to be the best scheme to penetrate the banking services, the above said reasons made the scheme unsuccessful. But various policy makers insisted that LBS couldn't be ignored and moreover emphasised that it should get its glory back. In order to review the working of LBS, GOI appointed a committee under the chairmanship of Mrs. Usha Thorat, Deputy Governor of RBI in 2009. The committee concluded in its report that the scope of the LBS can be expanded by focusing on facilitating financial inclusion rather than a mere review of the government sponsored credit schemes. It is observed that at present almost all the Lead Banks are focusing more on Financial Inclusion Plan.

Phase 2:

Committee on Financial Inclusion: The Reserve Bank of India setup a commission under the Chairmanship of Mr. Khan in 2004 to look into Financial Inclusion. The recommendations of this commission were incorporated into the Mid-term review of the policy (2005-06). In the report, RBI exhorted the banks with a view of achieving greater Financial Inclusion to make a basic "no-frills" banking account available to all the stakeholders. In India, Financial Inclusion first featured in 2005, and a pilot project in UT of Pondicherry was taken up under the headship of Dr. K. C. Chakraborty, the chairman of Indian Bank. Mangalam Village became the first village in India where all households were provided banking facilities. Further, in order to address the issues of financial inclusion, the Government of India constituted a "Committee on Financial Inclusion" under the Chairmanship of Dr. C. Rangarajan. The Committee submitted its final report to the Honourable Union Finance Minister on 4th January 2008. This Committee (2008) defined Financial Inclusion as "the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost." This definition

makes us to understand the significance of reach and access of banking services to the needy.

The Rangarajan Committee also stated that the task of financial inclusion must be taken up in a mission mode as a financial inclusion plan at the national level. As per the recommendations of this committee, the National Rural Financial Inclusion Plan (NRFIP) was constituted to achieve Financial Inclusion in a specific time frame.

Phase 3:

Establishment of NRFIP in 2006, is a major initiation of GOI to make the plan reach rural areas. The functions of National Rural Financial Inclusion Plan (NRFIP) are as follows:

- The target for NRFIP is to provide access to comprehensive financial services to all the households of the country.
- Semi-urban and rural branches of commercial banks and RRBs were set up to cover 250 households per branch annually. Since annual coverage per branch, under the Plan would be quite high in some of the North-Eastern, Eastern and Central States, support including financial assistance would be provided to banks operating in the above regions.
- NRFIP at district level draws up block wise/ village-wise maps of rural households not having access to formal credit sources. District administration and Lead Banks coordinate with DLCC for completing the exercise in a time bound manner. A State Level Rural Financial Inclusion Plan (SLRFIP) was prepared jointly by the State Level Bankers' Committee (SLBC) and NABARD for arriving at a conclusive Financial Inclusion Plan for the State.

2.v. Initiatives of RBI and GOI in Financial Inclusion Plan

The Government of India and the Reserve Bank of India have been making concerted efforts to promote financial inclusion as one of the most important national objectives

of the country. RBI adopted a bank-led model for achieving financial inclusion and removed all regulatory bottlenecks in achieving greater financial inclusion in the country. It advised all the banks to open Basic Saving Bank Deposit (BSBD) accounts with common facilities such as zero minimum balance, relaxed and simplified Know Your Customer (KYC) norms to facilitate ease in opening of bank accounts, to simplify branch authorization policy to address the issue of uneven spread of bank branches, and to focus on opening of branches where population is less than 1 lakh.

2.vi. The Institutional Structure of Financial Inclusion Plan (FIP): The Government of India and the Reserve Bank of India, which are functional and operational bodies of FIP, instruct the Financial Stability Development Council (Technical Group on Financial Inclusion and Financial Literacy) which further coordinates with financial inclusion Advisory Committee of RBI. This committee updates and instructs about the policy to 35 State Level Bankers Committees and 671 Lead District Managers who further coordinate with all the branches of banks.

2.vii. Role of National Bank for Agriculture and Rural Development (NABARD) in Financial Inclusion Plan:

As per the recommendations of Dr.Rangarajan Committee, GOI has set up two funds - Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF) with an overall corpus fund of Rs. 500 crore each.

2.viii. Financial Inclusion Fund: The objectives of the FIF are to support developmental and promotional activities, to provide funding support for capacity building inputs to Business Facilitators and Business Correspondents/ Staff of RRBs and staff of Primary Agricultural Credit Societies (PACS), to provide promotional support to institutions, such as Resource Centers, Farmers Service Centers and Rural Development and Self Employment Training Institutes, and to enable them to provide improved technical and financial services (including counselling) aimed at increasing technology adoption, effective management of assets, nurturing entrepreneurial capacity and increasing financial education and literacy.

2.ix. Eligible Institutions: Commercial Banks, Regional Rural Banks, Cooperative Banks, Non Government Officials (NGOs), Micro Finance Institutions (MFIs), Self Help Groups (SHGs), Farmer Clubs, local level associations, training and research organisations, academic institutions, universities, service providers like Insurance

Companies (providing micro insurance services), post offices, Railways, etc, are eligible entities to obtain support from Financial Inclusion Fund.

2.x. Management of the Financial Inclusion Fund (FIF): The sanction, implementation, monitoring and administration of the FIF shall vest with NABARD. The interest accrued/ income earned from the FIF shall be ploughed back into the FIF as per the investment policy approved by the Advisory Board. Advisory Board consists of Chairman and members. Chairman of NABARD acts as the Chairman of FIF and other members include Executive Director, Reserve Bank of India; Joint Secretary, Ministry of Finance (GOI); Joint Secretary, Ministry of Agriculture (GOI); Joint Secretary, Ministry of Rural Development (GOI); Joint Secretary, Ministry of Communications (GOI); Representative from National Association of Software and Services Companies (NASSCOM); a Member from Insurance Regulatory and Development Authority (IRDA); Managing Director from NABARD and Chief, Institute for Development & Research in Banking Technology (IDRBT). Executive Director of NABARD acts as the Member Secretary of FIF.

2.xi. Major initiatives under FIF:

Engaging SHGs as BC/BF by RRBs: The financial support is being extended for up scaling the pilot for SHGs as BCs/BFs for all villages having 2000+ population in the command areas of RRBs. As on 31 March 2014, RRBs have been sanctioned ₹ 46.26 lakh for supporting the training of authorised functionaries of well-run SHGs.

Support to Cooperative Banks and RRBs for setting up of Financial Literacy Centers (FLCs) from FIF: A scheme has been introduced for RRBs & Cooperative Banks for setting up FLCs with an assistance upto ₹5 lakh per FLC under FIF. As on

31 March 2014, grant assistance of ₹24.09 crores has been sanctioned to RRBs and Cooperative Banks for setting up of 516 FLCs.

Financial Literacy through Audio Visual medium – Doordarshan: A project has been sanctioned with grant assistance of ₹3.28 crore to Doordarshan on producing and directing a half an hour financial literacy programme in Hindi to be telecast by six centers (DD Kendras of Lucknow, Bhopal, Patna, Jaipur, Raipur and Ranchi). The telecast of all the 24 episodes in all the centers has been completed.

Micro Pension Model – Support to Invest India Micro Pension Services: A pilot project involving support of ₹2.26 crore has been sanctioned to Invest India Micro Pension Services (IIMPS).

Financial Education Programme: A project has been sanctioned with a grant of ₹27.67 lakh for empowering the poor and deprived sections of backward areas including tribal belts through financial literacy. The project aims to raise the financial literacy of 43,000 school-going children in 300 (100 each) schools across 3 states (Andhra Pradesh, Bihar & Maharashtra) in the country.

2.xii. Financial Inclusion Technology Fund (FITF): FITF fund is mainly used to enhance the quality of services through advance technology. The main objective of the FITF is to enhance investment in Information Communication Technology (ICT). To address its objective, FITF promotes financial inclusion, stimulates the application of research and technology in financial inclusion, increases the technological absorption capacity of financial service providers/users, encourages an environment of innovation and cooperation among stakeholders, encourages user friendly technology solutions, provides financial support to technological solutions, creates a common technology infrastructure, provides funding support to technologies facilitating the documentation for processing of loans etc.

2.xiii. Eligible Institutions: Commercial Banks, Regional Rural Banks, Cooperative Banks, Non Government Officials (NGOs), Micro Finance Institutions (MFIs), Self Help Groups (SHGs), Farmer Clubs, local level associations, training and research organisations, academic institutions, universities, service providers like Insurance Companies (providing micro insurance services), post offices, Railways, etc, are eligible entities to obtain support from FITF.

2.xiv. Management of the FITF: The sanction, implementation, monitoring and administration of the FITF vests with NABARD. The interest accrued/ income earned from the FITF is ploughed back into the FITF as per the investment policy approved by the Advisory Board. Advisory Board consists of Chairman and members. Chairman of NABARD acts as the Chairman of FIF and other members include Executive Director, Reserve Bank of India; Joint Secretary, Ministry of Finance (GOI); Joint Secretary, Ministry of Agriculture (GOI); Joint Secretary, Ministry of Rural Development (GOI); Joint Secretary, Ministry of Communications (GOI); Representative from National Association of Software and Services Companies (NASSCOM); a Member from Insurance Regulatory and Development Authority (IRDA); Managing Director from NABARD and Chief, Institute for Development & Research in Banking Technology (IDRBT). Executive Director of NABARD acts as the Member Secretary of FITF.

2.xv. Major initiatives under FITF: ICT Solution adopting BC/BF model by RRBs: As on 31 October 2013, grant assistance of ₹139.29 crore has been sanctioned for 59 RRBs from FITF, against which disbursements are of the order of ₹44.15 crore in 2010.

Assistance for issue of Debit Cards by RRBs and CBS-enabled Cooperative Banks: A scheme has been devised wherein assistance is available for RRBs and CBS enabled Cooperative Banks for issue of Debit Cards. Financial support towards cost of RuPay Debit Cards, cost/rent for Micro Automated Teller Machine (ATMs)/Point of Sale (POS) terminals, transaction charges and integration charges is available under the scheme.

Apart from FIF and FITF, GOI advised RBI to make a contingency fund called Financial Inclusion Promotion and Development Fund (FIPD). The Financial Inclusion

Promotion and Development Fund (FIPD) will focus on financing the following interventions:

Farmers' Service Centers (FSC): The Centers works on the technology front with Agricultural Universities, farmers' clubs, the formal extension machinery of the State

Promoting Rural Entrepreneurship: Commercial banks may consider setting up institutions like farmer training centers and Rural Development and Self Employment Training Institutes (RUDSETI) for developing skills among farmers / rural entrepreneurs for effectively managing the assets financed.

2.xvi. Utilisation of FIF and FITF: Table 7 below gives the information of Sanction and Disbursement of Financial Inclusion Fund and Financial Technology Fund as on 31st August, 2014.

Table No: 7

FIF and FITF Disbursements (in crores)

Name of the fund	2009-10		2010-11		2011-12		2012-13		2013-14		Cumulative (Up to August 2014)	
	S (Rs)	D (Rs)	S (Rs)	D (Rs)	S (Rs)	D (Rs)	S (Rs)	D (Rs)	S (Rs)	D (Rs)	S (Rs)	D (Rs)
FIF	18.4	8	19	9.21	75.96	18.9	67	33.3	255	20.2	436.7	89.93
FITF	17.1	1.7	101.1	54	221.1	128.4	22	17.1	13.46	2.09	379	203.4
Total	35.4 (Crores)	9.7	120.1	63.2	297	147.3	89	50.5	268.5	22.3	815.6	293.3

Source: NABARD report, 2014

S-Sanctions D-Disbursements

As on 31st August 2014, the total amount sanctioned is 815.6 crores and disbursed is only 293.3 crores. There is a necessity of proper mechanism to utilize the funds in a productive and useful manner.

2.xvii. Other major stakeholders of Financial Inclusion Plan:

Department of Financial Services: Ownership of Mission Mode Project and Monitoring and Implementation of Financial Inclusion Plan are taken care of by Department of Financial Services.

Central Government Departments: Presently, 26 central sponsored social benefit schemes under DBT are sponsored by eight Departments of the Central Government. The Ministries of Social Justice & Empowerment, Higher Education, Human Resources Development, School Education & Literacy, Tribal Affairs, Minority Affairs, Women and Child Development, Health & Family Welfare, and Labour and Employment play an important role in administering Social Benefit Schemes.

Indian Bankers' Association (IBA): Coordination of Financial Inclusion efforts with all Banks, key monitoring role in Financial Literacy Campaign etc. are taken care of by IBA.

State Governments: Appointment of Mission Director at State level, Monitoring of financial Inclusion Campaign in coordination with SLBC and all the stakeholders and Direct Benefit Transfer of the State schemes in the bank accounts of the beneficiaries are the major responsibilities of State Governments.

National Payment Corporation of India (NPCI): NPCI coordinates and provides necessary guidance and support to banks both in provision and proper operations of RuPay cards. It also facilitates interoperability among BCs and gives necessary support to banks in making mobile banking services available with low end mobile phones so that customer can avail basic banking services like deposit, withdrawal, fund transfer, balance enquiry etc. across the banks.

Apart from the above, stakeholders of FIP, SLBCs of all states, district level implementation committee, Lead District Manager, local bodies like panchayats in

rural areas and municipalities in urban areas etc. play a major role in implementing the Financial Inclusion Plan .

2.xviii. Conclusion:

As said by Dr. Yunus (2006), “.....basic ingredient of overcoming poverty is packed inside each poor person. All we need to do is to help this person to unleash this energy and creativity.... Only place in the world where poverty will exist will be in the museums and no longer in human society.” Financial inclusion which is meant for empowerment of poor is a continuous process. It is a vast project which requires concerted and team efforts, passionate involvement, dedication and commitment from all the stakeholders like government, financial institutions, the regulators, the private sector and the community at large.

CHAPTER – III

BUSINESS CORRESPONDENT MODEL: THE CONCEPT

RBI has instructed banks to use their own delivery channels to provide financial services exclusively in the rural segment. This chapter focuses on the various models available for Financial Inclusion, the concept of Business Correspondent Model (BC Model) and feasibility of using BC model. This chapter clearly brings out the features of BC model of Financial Inclusion.

3.i. Models of Financial Inclusion

The RBI focuses on two basic models of financial inclusion.

- Brick and Mortar Model and
- Branchless Banking

Brick and Mortar Model: Brick and Mortar refers to the businesses that have physical presence and rendering the services through their branches. Presence of a bank branch in a location is termed as Brick and Mortar Model.

Branchless banking: Branchless Banking allows financial institutions and other commercial actors like Micro Finance Institutions (MFIs) and Self Help Group (SHGs) to offer financial services outside traditional bank premises. Mobile Banking, ATMs, Mobile Van Model, Ultra Bank model, SHG – Self Help Bank Linkage (SHBL) model, MFI Model, Business Correspondent model etc. are a few types of branchless banking model.

3.ii. Business Correspondent Model: Introduction

The idea of BC model came from Brazil where retail vendors, lottery outlets and post offices work as bank branches. In India, Financial Inclusion Plan is a mission by which financial products and services can be reached to the unreached. However, the banks themselves will not be able to achieve the goal, particularly in the last mile and might

need the assistance of intermediaries. Micro Finance Institutions and SHG-Bank linkage programmes have proved that they can reach the bottom of the pyramid. It is also observed by policy makers that unless a vast army of Business Correspondents or Business Facilitators with appropriate technology is deployed for the purpose, there can be no remedy for the issue. These agents/ agencies may not be regular employees of banks but work on an outsourcing basis for taking the banking services to the hitherto unbanked centres.

3.iii. Business Correspondent Models:

In India, three basic models of Business Correspondents are used to render the banking services.

1. Banks select their Corporate Service Provider through a bid system and this Service Provider appoints a BC in the particular village. The Service Provider can use their own technology or can take the help of Technology Provider. (Bank – Service Provider/ Technology Provider – BC – Account Holder).
2. Banks can appoint an individual as BC directly and can take the help of Technology Provider for technical support. (Bank – Technology Provider for Technical Support – BC).
3. Apart from the above, there is another model called Ultra Bank Model in which an employee of concerned department of bank shall visit the village once in a week and make the financial transactions.

3.iv. Objective of BC Model:

The twin objectives of BC model are to ensure greater financial inclusion and to increase the outreach of the bank.

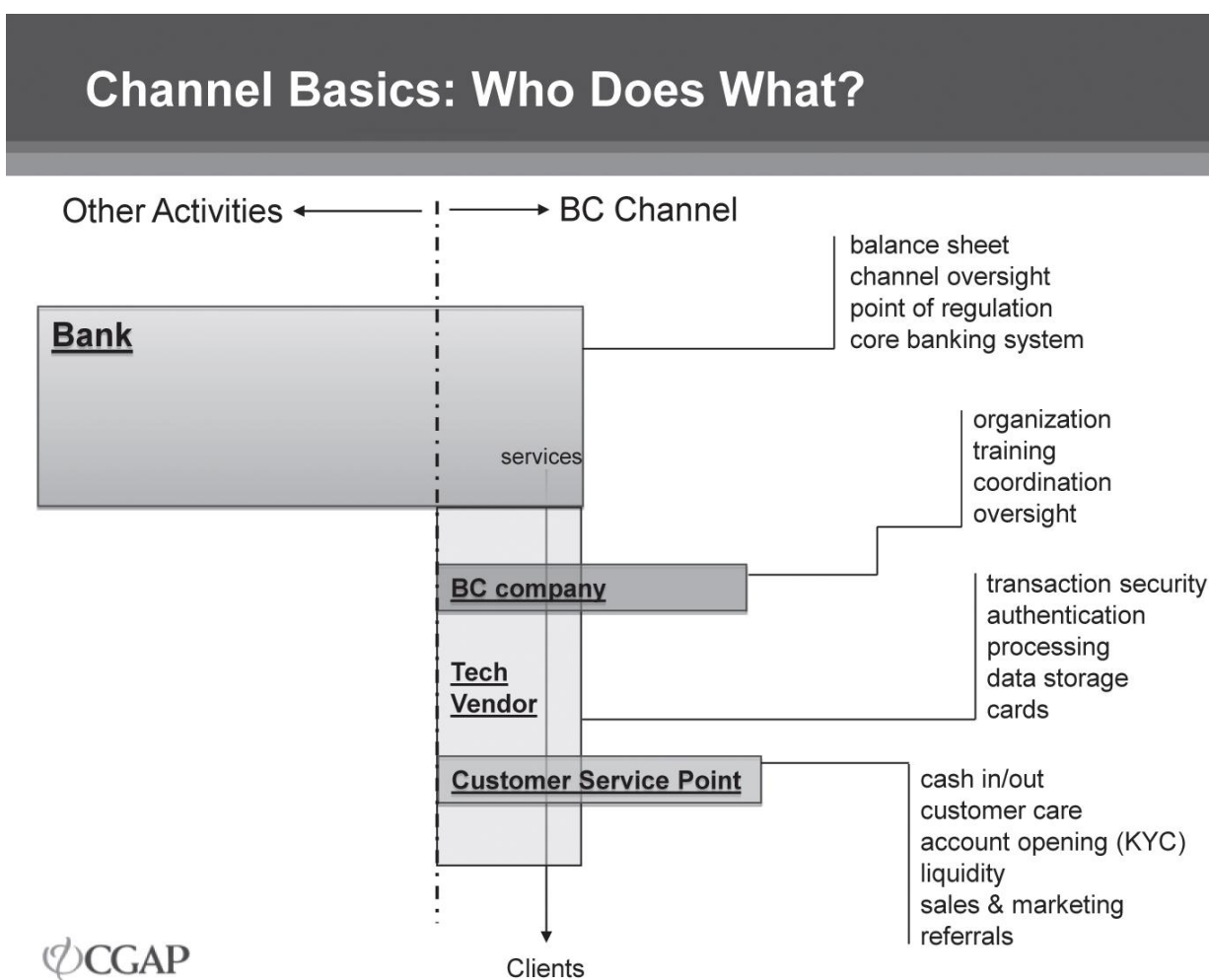
Objectives of BC Model are:

- To provide comprehensive financial services to the underprivileged encompassing savings, credit, remittance, insurance, mutual funds and pension products in a cost effective manner, particularly in untapped / unbanked areas.

- To improve process efficiencies and reduce transaction costs by providing linkages between the existing network of our Branches and the informal and formal agencies engaged with the poor, by adopting technology based solutions.

Figure No: 1
Channel Basics

The Consultative Group to Assist the Poor (CGAP) working paper expresses the channel of BC model as follows:



Source: CGAP working paper, 2008

3.v. Role of a Business Correspondent:

BC is an intermediary between the bank and the villagers. As the mediator he should represent the banker as well as the account holder. She/he has to perform the following duties/activities.

- Identification of prospective customers.
- Determining suitability of the activities chosen by them and advising the branch thereof.
- Educating the prospective borrowers on the loan products available with the bank and advising them on the one that suits them.
- Helping the prospective borrower in filling the loan application forms.
- Collection of the application forms from the applicants.
- Verification of primary information given therein.
- Ensuring that the KYC norms have been complied with
- Processing of loan application with the help of the bank's template applicable to the product category and submission of the proposals to the branch.
- Post-sanction, and pre and post disbursement verification and monitoring.
- Follow-up for recovery.
- Giving inputs to farmers and villagers on skill development and micro enterprises.
- Formation/ Bank Linkage of SHGs
- Establishment of farmers clubs.
- As the mediator he/she has to gather the information of name, address, family size, family details, details of the economic and income earning activity pursued by the members of the household, land holding including its size and pattern, crops cultivated and the cropping pattern followed, cash flow pattern, annual net income of the household, spending pattern of the household etc. of prospect customer.
- Preparation of cash budget of the farmer.

- This follows customer counseling on the financial needs and how it could be met and customer education on the products and services available from the bank.
- He/she should provide the farmers and others the complete, factual and truthful information on the bank on various products and other aspects.
- He/she should not overlook or hide any vital and material information to the customer.
- He/she should protect and respect the privacy of the customer.
- He/she should not compromise his/ her personal interest to that of the Bank.
- He/she should treat all customers alike and with no disparity and with respect and dignity.
- Dealing with cash deposits and withdrawals through Point Of Sale (POS) device system or through Online.

3.vi. Eligible Entities: NGOs/MFIs set up under the Indian Societies/Trust Acts Societies registered under Mutually Aided Cooperative Societies (MACS) Act or the Cooperative Societies Acts of State Banks can engage companies registered under section 25 of the Companies Act 1956 as Business Correspondents (BCs) which do not have equity holdings in excess of 10%. Post offices, retired government and bank employees, ex-servicemen, kirana/medical/fair price shop owners, Individual Public Call Office Operators, agents of small savings schemes of Govt. of India/Insurance companies, individuals who own petro pumps, retired teachers, authorised functionaries of well-run SHGs linked to Bank etc. can work as a BC. A Business Correspondent is normally the one residing and or located in the area he/she serves. He/She may have the agriculture background and work with dedication for the upliftment of the rural poor.

3.vii. Selection criteria: Banks select BCS who have good reputation among the village, having satisfactory track record, ability to invest in Point of Sale (POS) devices

and other equipment, ability to retain the required cash balance at the point of sale and should pass X Standard. Banker may instruct BC to deposit a prescribed amount as security deposit.

3.viii. Business Facilitator Model (BF)– The Concept:

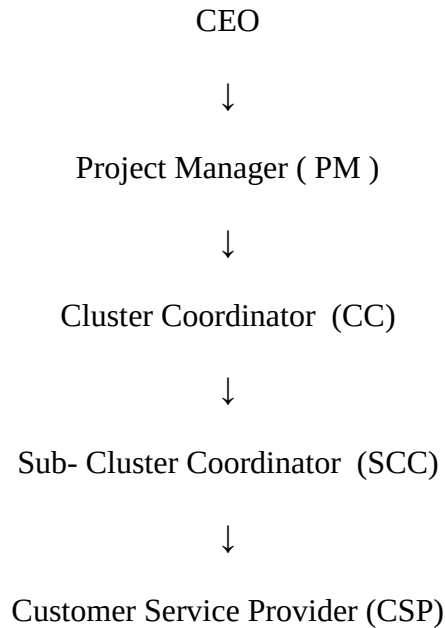
Business Facilitator is a mediator who does all nominal duties of Business Correspondent. But functions of BFs are limited and they cannot deal with the accepting deposits and allowing withdrawals like BCs. Eligible entities, and selection criteria are similar to that of BC.

3.ix. Service Provider and Technology Provider:

Service Provider is the mediator who bridges the gap between the banker and the end client. In remote areas, where banking services through branch may not be viable, bank can use the mediator called Service Provider. A service provider is normally a corporate agency which also provides the required technology to BCs. Bank issues a quotation to allot the Service Provider. After various quotations are received, the bank selects the Service Provider according to the rules and regulations given by RBI. It is the duty of the Service Provider to provide required infrastructure, remuneration to BC, technology etc.

The following flow diagram explains the various levels of a service provider:

3.x. Operational Levels of a Service Provider:



Project Manager: The Project Manager will be appointed by Service Provider. He is the linkage between Banker and SP. Single PM is recruited for each bank.

Cluster Coordinator: For every 3 districts, one cluster coordinator will be appointed.

Sub- Cluster Coordinator: For every 20 – 30 villages, one SCC will be appointed.

Customer Service Provider: He/she is the BC who is appointed for each village where there is no bank branch.

As per SLBC report 2014, there were 10,122 banking outlets in undivided Andhra Pradesh, number of Customer Service Points (CSP) deployed in the state are 9,516 where population is higher than 2000 and 9,957 CSPs where population is less than 2,000. This is to notice that the bank outlets and CSPs are almost similar in numbers of outlets and the transactions through BCs are around 67,47,856 and value of transactions are Rs. 1,73,04,142. This is the major cause why one cannot ignore the contribution of Business Correspondent Model.

3.xi. Conclusion:

The role of Business Correspondent model in the whole scenario cannot be undermined. It has to be admitted that today a Business Correspondent plays a vital role in bringing about integration in society of all social and economic classes. Undoubtedly, BC model enhances the quality and effectiveness of financial inclusion through their accessibility and appropriateness and penetrates the social fabric of the village.

CHAPTER – IV

PROGRESS OF FINANCIAL INCLUSION PLAN

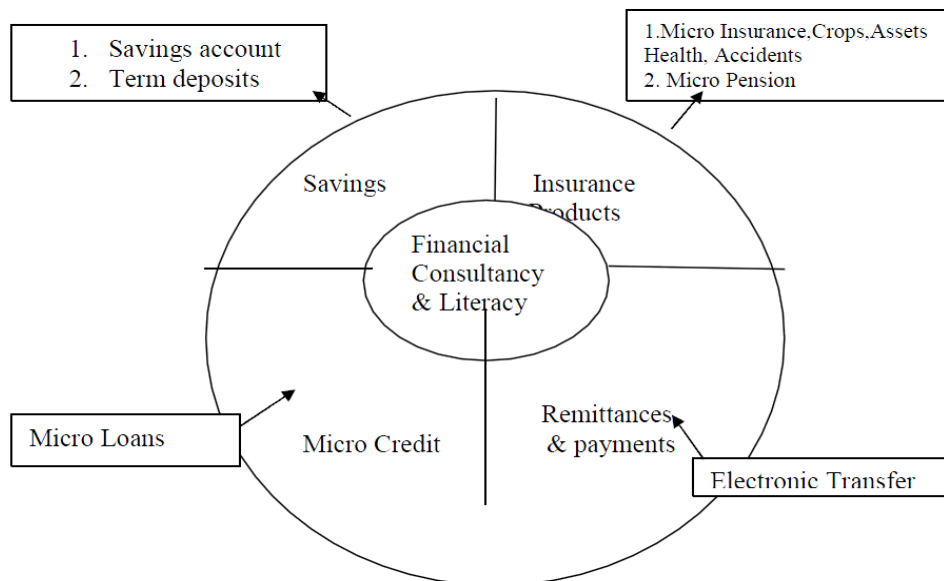
Government of India and Reserve Bank of India have taken various innovative measures to make Financial Inclusion more effective. The results have to be examined in order to measure the effectiveness of FIP. In this context, researcher in this chapter tried to identify the parameters of Financial Inclusion, statistical information of Basic Saving Bank Deposit Account (BSBDA), Kisan Credit Card/ General Credit Card (KCC/GCC) disbursements, Micro Insurance Products, remittances etc. This helps to know the progress of Financial Inclusion Plan in India.

4.1. Parameters of financial Inclusion Plan:

Financial Inclusion and Financial Literacy are twin pillars. Financial Inclusion Plans, on the supply side, create access by Savings, Micro Credit, Micro Insurance and Remittances, and on Demand side, Financial Advisory Services and Financial Literacy.

Figure No. 2
Parameters of Financial Inclusion

According to Ibeachu E Henry (2010), the parameters of Financial Inclusion are as follows:



Source: Ibeachu E Henry (2010), Leeds Metropolitan University.

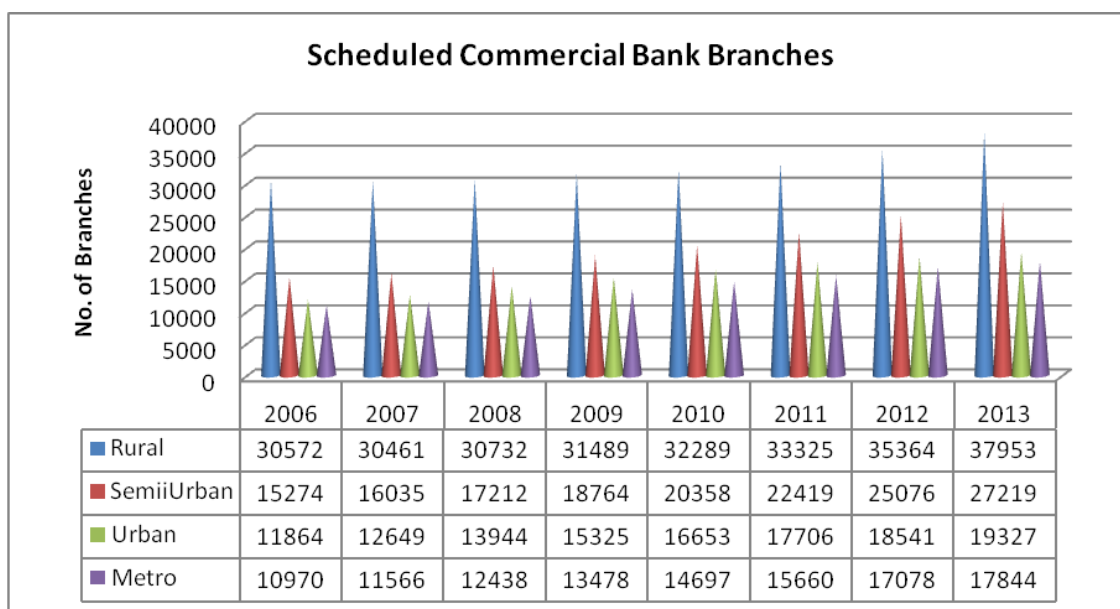
4.2. Progress of Financial Inclusion Plan:

4.2.i. Supply Side:

I. Savings: It comprises of opening of Savings Accounts and Term Deposits. Financial Inclusion focuses mainly on opening of accounts, increasing transactions on savings and withdrawals and keeping the accounts active. As financial inclusion is still in infant stage, banks are focusing more on opening of more number of accounts and transactions rather than total savings and credit disbursements.

Figure No. 3

Number of Branches Opened (including RRBs) as on 31.03.2013

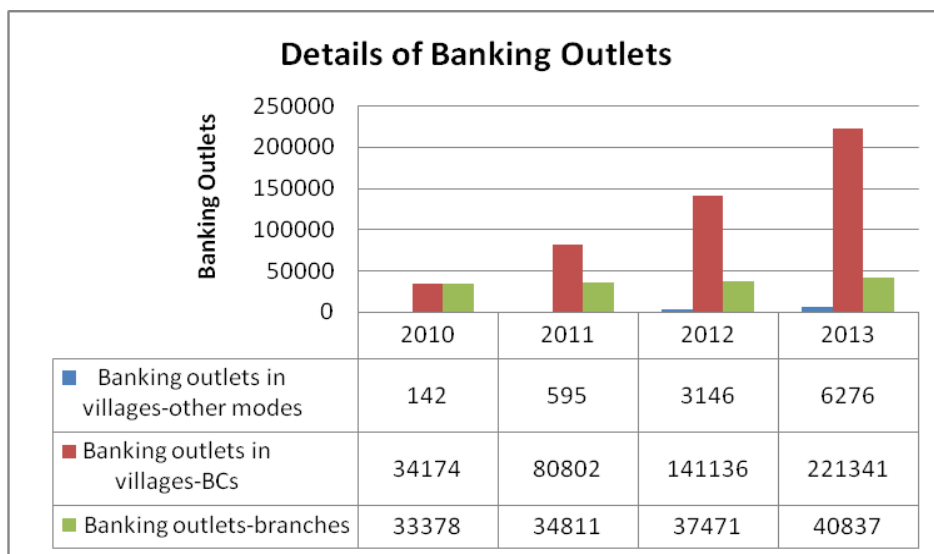


Source : RBI Annual Report 2013

RBI's concerted efforts since 2006 helped to increase the number of branches of Scheduled Commercial Banks. The Figure No. 3 shows that there is an increase in all the areas of the country. In rural areas, the number of branches increased from 30,572 to 37,953 during March 2006 and March 2013. As compared with rural areas, number of branches in semi-urban areas increased more rapidly.

Figure No. 4

Banking outlets in Villages as on 31.03.2013

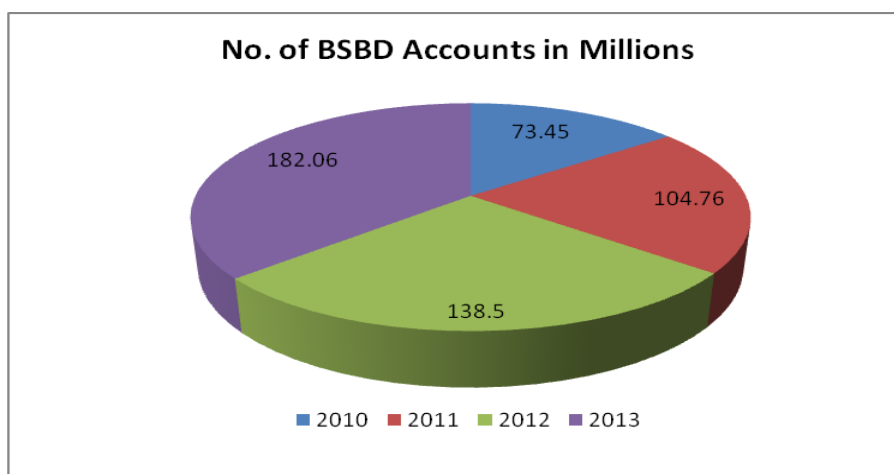


Source : RBI Annual Report 2013

The Figure No. 4 explains that the total number of banking outlets in villages increased from 67,694 in March 2010 to 2,68,454 in March 2013 and of the total branches, banking outlets through BCs increased from 34,174 to 2,21,341 which is almost 6.5 times to 2010 outlets.

Figure No. 5

Basic Saving Bank Deposit Account (BSBDA) Opened as on 31.03.2013



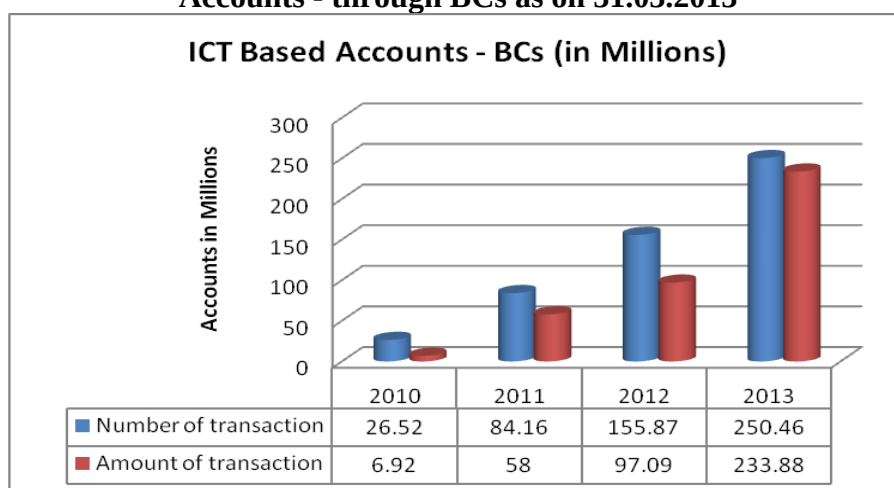
Source : RBI Annual Report 2013

The number of BSBD accounts opened increased from 73.45 million in March 2010 to 182.06 million in March 2013. RBI advised banks to provide small overdrafts in BSBD

accounts. Accordingly, up to March 2013, 3.95 million BSBD accounts availed OD facility of Rs. 1.55 billion against 0.18 million in March 2010.

Figure No. 6

Information and Communication Technology (ICT) Based Accounts - through BCs as on 31.03.2013

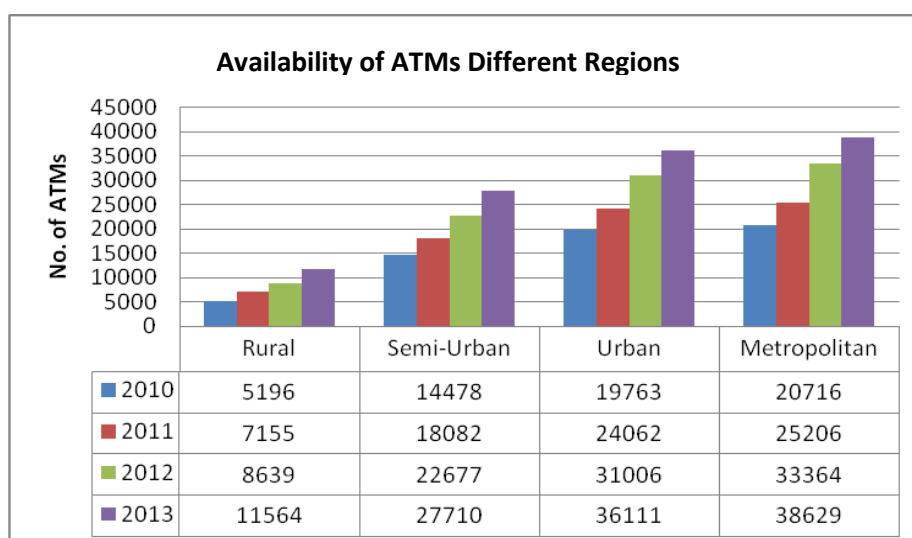


Source : RBI Annual Report 2013

The number of ICT-based transactions through BCs increased from 26.52 million in March 2010 to 250.46 million in March 2013, while transactions' amount increased steadily from Rs.6.92 billion to Rs.233.88 billion during the same period. It is to be noticed that the percentage of ICT accounts to total BSBDAs has increased from 25% in March 2010 to 45% in March 2013.

Figure No. 7

Automated Teller Machines (ATM) Network as on 31.03.2013



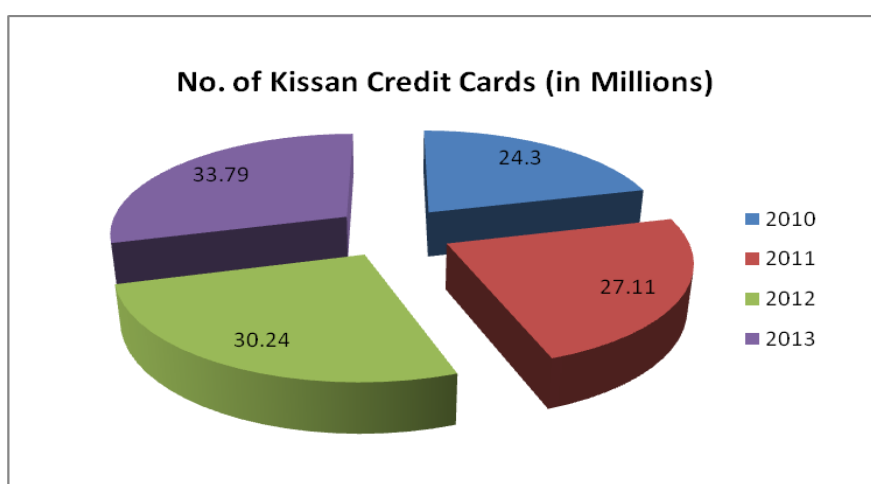
Source : RBI Annual Report 2013

The total number of ATMs in India by March 2013 are 1,14,014. The number of rural ATMs increased from 5,196 in March 2010 to 11,564 in March 2013 in rural areas.

Micro Credit: Credit is the boost-up for further investment in various areas like expansion of business, agriculture, new entrepreneurship etc. It can be Micro Loans, Issuing Kisan Credit Cards (KCC) and General Credit Cards (GCC) etc. and it also contains providing short term overdraft facility.

Figure No.8

Kisan Credit Cards (KCC) Issued as on 31.03.2013

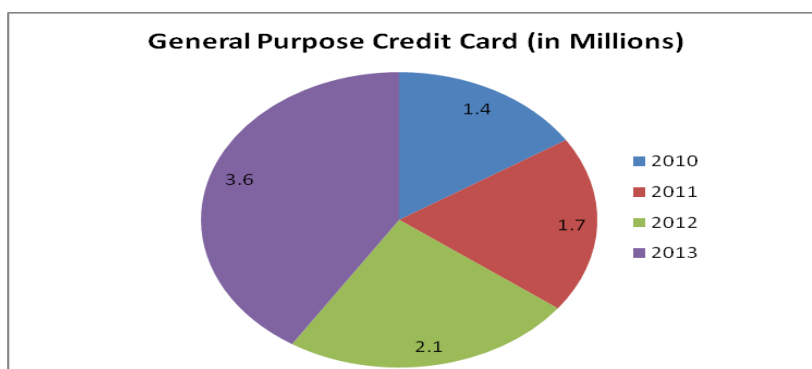


Source : RBI Annual Report 2013

Banks have been advised to issue KCCs to small farmers for meeting their credit requirements. Up to March 2013, the total number of KCCs issued to farmers remained at 33.79 million with a total outstanding credit of Rs.2622.98 billion.

Figure No. 9

General Credit Cards (GCC) Issued as on 31.03.2013

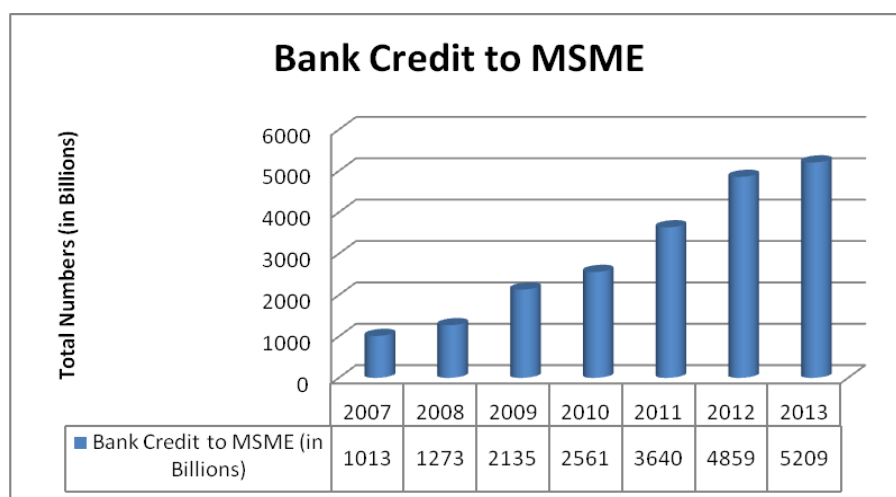


Source : RBI Annual Report 2013

Banks have been advised to introduce General Credit Card facility up to Rs. 25,000/- at their rural and semi-urban branches. Up to March 2013, banks had provided credit aggregating to Rs.76.34 billion in 3.63 million GCC accounts.

Figure No.10

Bank Credit to Micro Small and Medium Enterprises (MSME) as on 31.03.2013



Source : RBI Annual Report 2013

The total credit disbursed during 2006 was 1013 billion and it has risen to 5,209 billion by the end of March 31st 2012. With the addition of this, 33.8 million farm households and 2.25 million non-farm sector households have been provided with small entrepreneurial credit as at the end of March 2013.

Insurance Products: Micro insurance is the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. By the end of March 2013, 10% of Indian population is provided with insurance facilities and around 18% of rural household covered with Crop and Medical insurance.

Remittances & Payments: Electronic Fund Transfer for Social benefits like payments of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREG), Social Security Payments (SSP) etc. through formal delivery channel are the areas in

which financial inclusion should focus. The GOI has plans to route the social security payments through the banking network by leveraging on the Aadhaar Enabled Payment System based platform. In order to ensure smooth roll out of the Government's Direct Benefit Transfer (DBT) initiative, banks have been advised to open accounts of all eligible individuals and to seed the existing and new accounts with Aadhaar numbers.

4.2.ii. Demand Side Approach - Financial Literacy & Financial Advisory Services:

Providing adequate financial literacy and financial advisory services is also major area for which FIP needs a broad focus. Banks have designed a mass scale Financial Literacy Program with an objective to integrate the financially excluded population with low level of income and low literacy level with the formal financial system. According to RBI report, 2013, 718 Financial Literacy Centres have been set up as at end of March 2013 and a total of 2.2 million people have been educated through awareness camps.

4.3. Challenges:

The current policy objective of inclusive growth with financial stability cannot be achieved without ensuring universal financial inclusion. It is to be noted that the banks alone will not be able to achieve this, unless an entire support system partners with them in this mission. Only the support of policymakers, regulators, governments, IT solution providers, media and the public at large can bring about a decisive metamorphosis in the journey towards universal financial inclusion.

Financial Inclusion of the unbanked masses is expected to unleash the hugely untapped potential of the sections of the society that constitute the bottom of the pyramid. However, in pursuing the FI mission, the normal banking model has been found wanting in terms of cost, scalability, convenience, reliability, flexibility and continuity. To ensure that the banks give adequate attention to financial inclusion, they must view this as a viable business proposition rather than as a corporate social responsibility or a regulatory obligation. For the business to remain viable, it would be important to focus on increasing usage of existing banking infrastructure which would happen only if the banks can offer an entire bouquet of products and services to the holders of the large

number of basic bank accounts opened during the last three years as well as to the new customers that the banks acquire.

4.4. Special Focus on Jan-Dhan Yojna: (Introduced in 2014)

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is a National Mission for Financial Inclusion policy to ensure access to financial services, namely, banking savings & deposit accounts, remittance, credit, insurance, pension in an affordable manner. PMJDY targets whole country by extending banking facilities in each sub-service area. PMJDY has the facility to open joint account. A customer has to be given RuPay Card if he already has an account with bank. Otherwise customer has to open a fresh account and opt a Rupay card. Rupay Debit Card is an indigenous domestic debit card introduced by National Payment Corporation of India (NPCI). This card is accepted at all ATMs and POS for cash withdrawal and for making cashless payment for purchases. Overdraft facility up to Rs.5000/- will be available to one account holder of PMJDY per household after 6 months of satisfactory conduct of the account and a customer can also avail accidental insurance Coverage of Rs.1.00 lac with no premium. The premium of Rs.0.47 per card is paid by NPCI. Under this plan there is a facility to open an account by a minor who is above 10 years. This could be a milestone in the history of Indian Economic Reform.

4.5 Conclusion

Despite the measures initiated by the GOI, India is still plagued by exclusion in various spheres. As it is said, “an ounce of perspiration is better than a tonne of inspiration”, or “the proof of the pudding is in the eating”, India now deserves effective implementation, rather than a thousand well-intended policies or programmes. The common man needs to be empowered through awareness, enabled through knowledge, included through accountability in Governance. Introduction of various regulatory procedures, improving rural connectivity, creating a stable platform for natural resource investment etc. should also be considered while bringing the equitable economic and social balance in the country.

CHAPTER V

BC MODEL OF FINANCIAL INCLUSION - ACCOUNT HOLDERS' PERSPECTIVE: ANALYSIS ON PERCEPTION OF ACCOUNT HOLDERS.

The main aim of Financial Inclusion Plan is to provide banking services to the end customer especially who are vulnerable lot. Since 2006, Business Correspondent Model (BC model) has been effectively working and showing progress in terms of number of accounts. But it is very important to understand the perception of Account Holder for whom the model is initiated. In this chapter, researcher has tried to analyse the perception from the perspective of Account Holder. This analysis also shows impact of FI Model on various variables of the respondent.

The questionnaire to Account Holder consisted of 8 questions related to demographic characteristics of the respondents and 23 questions on the topic of the study. Various statistical tools like Mean, Frequency Distribution, Cross Tabulation and Chi – Square Test are used to analyse the perception of Account Holders.

Mean:

The mean (also known as average), is obtained by dividing the sum of observed values by the number of observations.

$$\bar{X} = \frac{\sum_{i=1}^{i=n} X_i}{n}$$

Thus, Mean = Sum of all the set elements / Number of elements

Frequency Distribution: Frequency Distribution is a representation, either in a graphical or tabular format, which displays the number of observations within a given interval. Using the information from a frequency distribution, researchers can then

calculate the mean, median, mode, range and standard deviation. Frequency distributions are often displayed in a table format and they can also be presented graphically using a histogram or bar chart. A frequency table is a simple way to display the number of occurrences of a particular value or characteristic. Histograms and bar charts are both visual displays of frequencies using columns plotted on a graph.

Cross Tabulation: Cross-tabulation is one of the most useful analytical tools and is a mainstay of the market research industry. Cross-tabulation analysis, also known as contingency table analysis, is most often used to analyse categorical (nominal measurement scale) data. A cross-tabulation is a two (or more) dimensional table that records the number (frequency) of respondents that have the specific characteristics described in the cells of the table.

Cross-Tabulation with Chi-Square Analysis:

The Chi-Square is the primary statistic used for testing the statistical significance of the cross-tabulation table. Chi-square test is computed by first computing a chi-square value for each individual cell of the table and then summing them up to form a total Chi-square value for the table. The chi-square value for the cell is computed as:

$$(\text{Observed Value} - \text{Expected Value})^2 / (\text{Expected Value})$$

5.1. Demographic Profile of the Account Holders:

The study of demographic characteristics of account holders will help to understand the characteristics like Age, Education, Income, Occupation etc. This will further help BCs to understand their level of savings and withdrawal behavior, level of investments etc. This also helps to choose the strategies to be used to attract the potential customers and to penetrate the banking business.

Table No.8

5.1. Demographic Profile of the Account Holders

S.No	Factors	Categories	No. of Respondents	Percentage	Cumulative Percent
1	Age	21 to 30 years	206	20.6	20.6
		31 to 40 years	309	30.9	51.5
		41 to 50 years	343	34.3	85.8
		51 to 60 years	114	11.4	97.2
		above 60 years	28	2.8	100.0
		Total	1000	100.0	
2	Occupation	Agri labourer	509	50.9	50.9
		Farmer owing land	337	33.7	84.6
		Business	115	11.5	96.1
		House wife	26	2.6	98.7
		Others	13	1.3	100.0
		Total	1000	100.0	
3	Literacy	Primary	195	19.5	19.5
		Secondary	178	17.8	37.3
		Intermediate	64	6.4	43.7
		Graduation	21	2.1	45.8
		Post Graduation	2	.2	46.0
		Illiterate	540	54.0	100.0
		Total	1000	100.0	
4	Marital Status	Married	941	94.1	94.1
		Unmarried	55	5.5	99.6
		Divorced/Single	4	.4	100.0
		Total	1000	100.0	
5	Residential Status	Own house	982	98.2	98.2
		Rented Dwelling	18	1.8	100.0
		Total	1000	100.0	
6	Structure of Residence	Hut	16	1.6	1.6
		Asbestos shed (includes 18 rent dwellers)	53	5.3	6.9
		Tiled house	719	71.9	78.8
		RCC building	212	21.2	100.0
		Total	1000	100.0	
7.	Family Income	Upto Rs. 2000	105	10.5	10.5
		Rs. 2000 to Rs. 3000	387	38.7	49.2
		Rs. 3000 to Rs. 4000	241	24.1	73.3
		Rs. 4000 to Rs. 5000	154	15.4	88.7
		above Rs. 5000	113	11.3	100.0
		Total	1000	100.0	

Source: Primary data

Observations:

Frequency Distribution according to the Age of the Respondent: The Table No. 8 indicates that 85.8% respondents are in the age limit of 21-50yrs. This segment of people should be encouraged to make savings and investments and appropriate advances can be provided to eligible persons based on productive and purposeful activities.

Frequency Distribution according to the Occupation of the respondents: The Table No. 8 indicates that 50.9% of respondents are agriculture labourers and 33.7% are farmers having own farm land. The deposits are irregular as the respondents depend on seasonal employment. Hence, it is the duty of BC to motivate agriculturists to save and invest the money when the returns are high. As Mahathma Gandhi said “villages are India’s backbone and agriculturists are the soul of this country”, it is the fundamental duty of the Government of India to support the agriculturists, to provide better infrastructure facilities.

Frequency Distribution according to the Literacy: The Table No. 8 states that 19.5% of respondents are having primary education, 17.8% are having secondary education, 6.4% are graduates and 2% are post graduates. It is surprising to notice that 54% of the respondents are illiterates. These statistics emphasise the need to focus on education and urgency for implementation of various policies to bring educational inclusion.

Frequency Distribution according to the Marital Status: The Table No. 8 gives the information of marital status of respondents. 94.1% of the respondents are married, 5.5% unmarried and 0.04 are single/divorced. As most of the respondents are married, there is a need of petty savings and investment in Micro Insurance to lead secure life.

Frequency Distribution according to the Residence and Structure of Residence of Sample Respondents:

The Table No. 8 shows that 98.2% respondents have own residence and only 1.8% are living in rented dwelling. The next table shows that 79.1% respondents owned tiled houses and 21.2% have homes with RCC roofs. 5.3% respondents have residence of asbestos sheds and 1.6% of the respondents are living in huts. This indicates that most of the people in villages live in their own residence irrespective of residential structure. Therefore, it can be concluded that people can be given more loans against property where BCs have to take the responsibility of recovery. As it is said by C.K Prahlad (2006), “there is a fortune at the bottom of the pyramid”, the lower level of people can be uplifted by pooling savings and investments.

Frequency Distribution according to the Income Distribution:

The above frequency table of income distribution states that 38.7% of respondents earn per month an income between Rs.2,000 – Rs.3,000 and 24.1% earn between Rs. 3,000 – Rs.4,000. 15.4% respondents earn between Rs.4,000 – Rs. 5,000 and 11.3% earn more than Rs. 5,000 per month.

Table No. 9**5.2. Account Profile: Motivational Factors and Status of Account**

S.No.	Factors	Influencing Factors	No of Respondents	Percentage
31	Motivated to work	Yes	957	95.7
		No	43	4.3
		Total	1000	100.0
32	Motivated to open an account through	BC	513	51.3
		Neighbours	119	11.9
		Relatives	315	31.5
		Any others	10	1.0
		Not Applicable	43	4.3
		Total	1000	100.0
33	Status of Account	Nil Transaction	191	19.1
		Low transactions	632	63.2
		Medium Transaction	165	16.5
		High Transaction	10	1.0
		Very high transaction	2	.2
		Total	1000	100.0

Observations: The Table No. 9 gives an account of the frequency distribution of motivational factors and status of account. The respondents are asked whether they are motivated to work or not. 95.7% of respondents state that they are motivated and 4.3% respondents state that they are not motivated by others but have opened the account with self interest. The question 3.2 gives the information about the category of the persons by whom the respondents are motivated. 51.3% respondents' i.e. 513 out of 1,000 state that they are motivated by BC and 31.5% are motivated by friends and relatives and 11.9% are motivated by neighbours. 1.0% respondents are motivated by others like service provider, field officers, villagers, group members etc. 'Not applicable' represents the percentage of the respondents who are not at all motivated by others. The question 33 shows the status of account. 19.1% hold the account without any transactions and 63.2% with low transactions i.e. 1 to 10 per month. As the banks are focusing from the transaction perspective rather value of transaction, researcher also

posed the question on number of transactions of account holder. 16.5% respondents hold the account with medium transactions i.e. in between 11 to 20 per month. 1.0% respondents have high transaction i.e. 21 to 30 and 0.2% are with very high transactions i.e. 31 and above per month. Though there is no specific reason to segregate the transaction as per volume, researcher has indicated them by observing the average transactions of respondents.

It is to understand that BC plays an important role in influencing the people to open an account but his focus is on opening the account but not on maintaining the account with high transactions.

Table No. 10

5.3. Analysis of Influencing Factors to Open an Account with BC

S.No	Particulars	Average (Mean)	Ranks
351	BC is available for the entire day	3.25	12
352	Minimum withdrawal is Re.1	3.44	11
353	Responds to immediately	3.61	6
354	Provides information about banking products	3.59	8
355	Saves Waiting time	3.80	5
356	Saves traveling time	3.82	4
357	Saves transport cost	3.95	1
358	Saves operating time	3.87	3
359	CSP is in walk able distance	3.88	2
3510	BC provides all services of banks	3.52	9
3511	BC conducts Financial literacy programmes	3.45	10
3512	BC encourages for savings	3.60	7

Source: Primary Data

Total Score is calculated as “1*HDS+2*DS+3*N+4*S+5*HS”

Mean Score = Total Score/Sample Size=Total Score/1000

Observations: The above data shows the factors influencing to open an account through BC. After having thorough interaction with account holders, twelve major influencing factors were found and the researcher tried to find the most influencing factor amongst twelve factors and ranked them accordingly. The first 3 ranks are given to transport cost, distance and operating time. The important factor to open the account with BC is to save transport cost. This is because Customer Service Points are within walkable distance and it takes hardly 10 minutes to operate. Villagers have to travel at least 5-10 kms to operate their account if BC facility is not available. The 4th, 5th and 6th ranks are given to travelling time, waiting time and response towards queries of account holders. 7th, 8th and 9th ranks are given to encouragement by BC, providing information about products and providing services of banking products. It is observed that providing banking services were given 9th rank as BCs are restricted to few services of bank and not all like loans, overdraft etc. 10th, 11th and 12th ranks are given to conducting of literacy programmes, minimum withdrawal and availability of BC for the entire day.

Table No. 11**5.4. Savings and Withdrawal Profile**

S.No	Factor	Catagories	No. of respondents	Percentage
41	Savings (p.m)	Less than 500	125	12.5
		Rs 500 to Rs 1000	231	23.1
		Rs 1000 to Rs 1500	375	37.5
		Rs 1500 to Rs 2000	194	19.4
		above Rs 2000	75	7.5
		Total	1000	100.0
42	Withdrawals (p.m)	Less than 500	252	25.2
		Rs 500 to Rs 1000	485	48.5
		Rs 1000 to Rs 1500	203	20.3
		Rs 1500 to Rs 2000	60	6.0
		Above Rs.2,000	0	0.0
		Total	1000	100.0

Source: Primary Data

Observations: The Table No.11 states the approximate savings of an account holder per month. It can be understood that 37.5% respondents maintain the account with savings in the range of Rs.1000 to Rs. 1500. 23.1% respondents save between Rs.500 to Rs.1000. 19.4% respondents state that they save Rs. 1500 to Rs 2000 per month and 12.5 respondents save less than Rs 500. 7.5% respondents save above Rs. 2000 p.m. The highest range of withdrawal i.e. 48.5% are in between Rs.500 to Rs.1000. 25.2% respondents withdraw less than Rs.500 p.m. 20.3% respondents draw in between Rs.1000 to Rs. 1500. 6% respondents withdraw Rs. 1500 to Rs 2000 p.m.

Table No. 12

5.5. Borrowing Profile

S.No	Factor	Categories	No. of respondents	Percentage
43	Means of Borrowing	Banks	454	45.4
		Pawn broker	222	22.2
		Family or Friends	288	28.8
		Any other source	7	.7
		Never took from others	29	2.9
		Total	1000	100.0
44	Purpose of Borrowing	to meet agricultural needs	429	42.9
		to start business or expansion of business	375	37.5
		for personal use	137	13.7
		to purchase land/livestock	58	5.8
		any other reasons	1	.1
		Total	1000	100.0
45	Expected Loan amount	Rs 2000 to Rs 5000	160	16.0
		Rs 5000 to 10000	462	46.2
		Rs 10000 to Rs 15000	313	31.3
		Rs 15000 to Rs 20000	65	6.5
		Above Rs. 20,000	100	10.0
		Total	997	99.7

Source: Primary Data

Observations: The Table No.12 illustrates that though 45.4% respondents state that their means of borrowing is bank, yet 22.2% respondents accept that they take credit from pawnbrokers or indigenous bankers. 28.8% respondents state that they take credit from family members or friends. 0.7% state that they take loans from some other sources like traders or business men and 2% respondents state that they have never taken any loans.

When it comes to the purpose of loans, most of the respondents i.e. 42.9% state that they need loans to meet agricultural needs. 37.5% respondents state that they need credit to expand or start the business. 13.7% respondents state that they need credit for personal use to educate children or for marriage etc. 5.8% respondents state that they need credit to purchase livestock or land. Other reasons may include purchasing of pesticides, furniture etc. and the respondents for these variables are 0.1%.

The Table No.12 shows that 46.2% respondents are expecting loans between Rs.5,000 to Rs. 10,000. 31.3% respondents are expecting loans between Rs.10,000 to Rs.15,000 and 16% respondents are expecting loans between Rs.2,000 to Rs.5,000. 6.5% respondents are willing to get loans in the range of Rs. 15,000 to Rs.20,000 and above 10% are expecting loans above Rs.20,000. It is observed that most of the respondents are expecting credit for productive activity and for reasonable purpose. Hence, banks should focus more on providing loans rather than savings and deposits.

Table No. 13
5.6. KCC/GCC Profile

S.No	Factors	Catagories	No. of respondents	Percentage
46	Provided KCC/GCC with	Yes	686	68.6
		No	314	31.4
		Total	1000	100.0
47	Expecting Loans even after having KCC/GCC	Yes	688	68.8
		No	312	31.2
		Total	1000	100.0
48	This model helps to reduce the dependency on money lenders	Yes	920	92.0
		No	80	8.0
		Total	1000	100.0

Observations: The Table No.13 proves that 68.6% respondents hold KCC/GCC cards and 68.8% respondents state that though they are given KCC/GCC, they are expecting loans. It is observed that people have to travel at least 15 to 20 kms to operate the credit cards. Hence, they are expecting advances through BC mainly to avoid operating time, travelling time and transport cost. 92% respondents opined that BC model helps to reduce the dependency on money lenders and 8% respondents do not accept the same.

Table No. 14

5.7. Micro Insurance Profile

S.No	Factors	Catagories	No. of respondents	Percentage
51	Interested in Micro Insurance Products	Yes	983	98.3
		No	17	1.7
		Total	1000	100.0
52	Affordable amount	100 to 200	54	5.4
		200 to 300	716	71.6
		300 to 400	109	10.9
		400 to 500	103	10.3
		Above 500	1	0.1
		Not Interested	17	1.7
		Total	1000	100.0
53	Type of insurance product on which respondents are Interested	Life	322	32.2
		Crop	486	48.6
		any other	175	17.5
		not interested	17	1.7
		Total	1000	100.0

Observations: The Table No.14 states the willingness and affordability of respondents in micro insurance. 98.3% respondents state that they are interested in Micro Insurance and 71.6% state that their affordable amount is Rs.200 – Rs.300. 48.6% respondents are interested in crop insurance and 32.2% are interested in life insurance. It is observed that almost all the farmers are sheltered with crop loans but there is a need to focus on life insurance products especially in rural segments. It is to note that still 1.7% respondents are not interested in any of the insurance products. Surprisingly, only one respondent is ready to spend more than Rs. 500.

Table No. 15

5.8. Awareness on Financial Services and Products

S.No	Awareness on_____	Yes	%	No	%
61	Mortgage loan – from mainstream financials	254	25.4	746	74.6
62	Credit card	375	37.5	625	62.5
63	Debit card	368	36.8	632	63.2
64	Pension fund	460	46.0	540	54.0
65	Investment account, such as a unit trust	214	21.4	786	78.6
66	Fixed Deposit	284	28.4	716	71.6
67	Savings Bank Account	808	80.8	192	19.2
68	Current account	150	15.0	850	85.0
69	Insurance Products	596	59.6	404	40.4
610	Micro Insurance	226	22.6	774	77.4
611	No frills Account	160	16.0	840	84.0
612	A microfinance loan	341	34.1	659	65.9
613	Mobile phone payment account/ Mobile Banking	614	61.4	386	38.6
614	Bonds	78	7.8	922	92.2
615	Shares	78	7.8	922	92.2
616	Internet Banking	130	13.0	870	87.0
617	Know the difference between FD/SB account/CA	174	17.4	826	82.6
618	Understand the SMSs that you receive from bank	609	60.9	391	39.1
619	Know the interest rate that you receive for your deposits	683	68.3	317	31.7
620	Aware of Financial Inclusion Plan introduced by GOI	685	68.5	315	31.5
621	Know how to use smart card/ online transactions	689	68.9	311	31.1
622	Agree that smart card technology/online transactions saves the time	687	68.7	313	31.3
623	Using smart card is more appropriate and convenient than visiting branch	613	61.3	387	38.7

Observations: The Table No. 15 shows the awareness of respondents on various financial services/products. 74.6% respondents state that they do not know about mortgage loan, 62.5% do not know the features of credit card, 63.2% do not know the term debit card. 54% respondents do not know about pension fund, 78.6% do not know the concept investments in unit trust etc. 71.6% do not know about fixed deposit but 80.8% knows about savings bank account with which they are dealing. 85.0% do not understand what a current account is. Researcher tried to find the reason why respondents are able to understand only saving account but not other financial products. The reason is that 82.6% respondents do not know the difference between fixed, savings and current account. 59.6% respondents have heard about insurance products, but they do not know what micro insurance is. 84.0% respondents do not understand what no-frills account is. But they do open the same without having the knowledge about it.

Surprisingly, 65.9% do not understand what a micro finance loan is. 61.4% respondents know about mobile phone payments, but 92.2% do not know about bonds and shares, 87.0% do not know about internet banking. 60.9% respondents understand the mobile phone messages and only 68.3% respondents know about interest on their deposits and on other financial services. 68.5% respondents have the basic knowledge about the Financial Inclusion Plan introduced by Government of India, 68.9% respondents know how to use smart cards. 68.7% respondents have agreed that smart card technology and online transactions save time and 61.3% have accepted that smart card usage is more appropriate and convenient than visiting a branch. From the above table, it can be understood that there is an urgency and necessity to hasten the financial literacy programmes.

Table No. 16**5.9. Factors that have been impacted after opening an Account with BC**

S.No	Variables	Average	Rank
1	Savings	3.68	1
2	Investments (like in Insurance Products)	3.52	6
3	Living Standards (Using Electrical goods, Comfort goods)	2.99	11
4	Assets (land, live stocks, Vehicles etc)	2.91	13
5	Business expansion	2.88	14
6	Self Confidence	3.56	4
7	General Awareness	3.58	2
8	Banking Habits	3.57	3
9	Business/ Agricultural Skills	3.50	7
10	Health	3.54	5
11	Nutrition	3.44	8
12	Child Education	3.40	9
13	Greater Social Acceptability	2.95	12
14	Helping others	2.87	15
15	Exposure	3.06	10

Source: Primary Data

Observations: The Table No. 16 reveals that all the psychological factors like general awareness, banking habits, self confidence are placed in 2nd, 3rd and 4th ranks and savings are in 1st. Health, investment capacity, agricultural skills are placed in 5th, 6th and 7th positions and these variables are followed with nutrition, child education and exposure with 8th, 9th and 10th ranks subsequently. The 11th rank is given to improvement in living standards, 12th for greater social acceptability, 13th rank for assets, 14th rank for business expansion and the last rank is given to helping others. It can be understood that as this model is in nascent stage, it shows greater impact on psychological factors rather financial and social factors.

5.10. Testing of Hypotheses: Cross Tabulation and Chi-Square Test

H1: There is a significant relationship between motivation to open an account and status of account of respondents.

Table No. 17

Cross Tabulation (Motivation to open an account and Status of account)

	Status of Account					
Motivated to open an account	Nil Transaction	Low transactions (1-10 per month)	Medium Transactions (11-20 per month)	High Transactions (21-30 per month)	Very high transactions (Above 30 per month)	Total
Yes	176	411	154	133	83	957
No	7	16	15	3	2	43
Total	183	427	169	136	85	1000

Source: Primary Data

Observations: The output of above cross tabulation table shows that 95.7% of account holders are motivated to open an account. But, out of them 17.6% respondents have nil transactions. 42.7% have an account with low transactions i.e. between 1-10 transactions per month and 16.9% have medium transactions. 13.6% respondents state that they have account with high transactions, i.e. between 21-30 transactions per month. 8.5% respondents maintain account with very high transactions. BC plays an important role in influencing the people. But, in general, it is observed that BCs are showing more interest to influence people to open an account but not in keeping the account active. A transaction may either be a deposit or a withdrawal.

Table No. 18

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square N of Valid Cases	19.879 1000	4	P=0.001

The Pearson Chi-Square test result shows that the value is 19.879 at 4 percent level of significance and Asymp. Sig. (2-sided) value is 0.001. The hypothesis can be accepted as the calculated 'p' value is less than 0.05. It can be derived that there is a significant relationship between motivation to open an account and status of account of respondents. Hence, the hypothesis is accepted.

H2: There is a relationship between category of person who motivated to open an account and the status of account of respondents

Table No.19
Cross Tabulation (Category of person and Status of Account)

Motivated by	Status of Account					
	Nil Transaction	Low transactions (1-10 per month)	Medium Transactions (11-20 per month)	High Transactions (21-30 per month)	Very high transactions (Above 30 per month)	Total
BC	113	194	70	82	54	513
Neighbors	27	65	5	16	6	119
Relatives	34	150	76	34	21	315
Any other	3	2	5	0	0	10
Self Interest	7	16	15	3	2	43
	184	427	171	135	83	1000

Source: Primary Data

Observations: The Table No.19 shows that 51.3% of respondents are motivated to open an account by BC and 31.5% have opened accounts as they are motivated by relatives. 11.9% are motivated by neighbours and 0.10% by others like field officers, bankers and NGOs etc. 0.43 are not at all motivated but have opened the account with self interest.

Table No. 20
Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1134.899	25	P=0.000
N of Valid Cases	1000		

SPSS output

The Pearson Chi-Square test result shows that the value is 1134.899 at 25 percent level of significance and Asymp. Sig. (2-sided) value is 0.000. The hypothesis can be accepted as the calculated 'p' value is less than 0.05. It can be derived that there is a significant relationship between the category of influencing person and the status of accounts of respondents. Hence, the hypothesis is accepted.

H3: There is a significant impact of Level of Income on Status of Account of respondents.

Table No. 21
Cross Tabulation (Level of Income and Status of Account)

	Status of Account					
Income	Nil Transac tion	Low transactions (1-10 per month)	Medium Transactions (11-20 per month)	High Transactions (21-30 per month)	Very high transactions (Above 30 per month)	Total
Up to 2000	19	24	62	0	0	105
2000 to 3000	49	253	83	1	1	387
3000 to 4000	109	93	24	14	1	241
4000 to 5000	7	43	4	69	31	154
above 5000	0	14	0	50	49	113
Total	184	427	171	135	83	1000

Source: Primary Data

Observations: The Table No. 21 shows that 18.4% of respondents' accounts are dormant or with nil transactions. 42.7% respondents have accounts with low transactions. 17.1% have medium transactions, 13.5% have high transactions and 8.3% have very high transactions. Based on the data in the table, it can be understood that the number of transactions have increased with the increase in the income levels of respondents.

Table No: 22
Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square N of Valid Cases	888.045 1000	16	.000

SPSS output

The Pearson Chi-Square test result shows that the chi-square value is 888.045 at 16 percent level of significance and Asymp. Sig. (2-sided) value is 0.000. The hypothesis can be accepted as the calculated Asymp. Sig. (2-sided) value is less than 0.05. It can be derived that there is a significant impact of level of income and the status of an account of sample respondents. Policy makers should not only focus on increase in transactions but also improve the income levels of people as these variables have direct and positive relationship.

H4: There is a significant relationship between level of income and Savings in account of the respondents.

Table No. 23
Cross Tabulation (Income and Saving)

Income	Savings					
	Less than 500	Rs 500 to Rs 1000	Rs 1000 to Rs 1500	Rs 1500 to Rs 2000	above Rs 2000	Total
Up to 2000	71	13	21	0	0	105
2000 to 3000	65	41	178	103	0	387
3000 to 4000	38	139	64	0	0	241
4000 to 5000	5	33	97	19	0	154
above 5000	16	6	14	75	2	113
Total	195	232	374	197	2	1000

Source: Primary Data

Observations: The Table No. 23 states that respondents having income between 2000 and 3000 are trying to save maximum amount. It can be observed that their savings increase with an increase in their income.

Table No. 24
Chi-Square Test

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square N of Valid Cases	613.457 1000	16	.000

SPSS output

The Pearson Chi-Square test result shows that the chi-square value is 613.457 at 16 percent level of significance and Asymp. Sig. (2-sided) value is 0.000. The hypothesis can be accepted as the calculated 'p' value is less than 0.05. Hence, it can be concluded

that there is a significant relationship between income and savings of sample respondents.

H5: There is a significant relationship between Income and Withdrawals of respondents.

Table No. 25

Cross Tabulation (Income and Withdrawals)

	Withdrawals				
Income	Less than 500	Rs 500 to Rs 1000	Rs 1000 to Rs 1500	Rs 1500 to Rs 2000	Total
Up to 2000	2	35	12	2	51
2000 to 3000	126	225	41	0	392
3000 to 4000	46	81	118	0	245
4000 to 5000	74	67	11	0	152
above 5000	4	77	21	58	160
Total	252	485	203	60	1000

Source: Primary Data

Observations: It is observed that respondents with income between 2000 to 3000 withdraw more in a range between Rs.500 to Rs.1,000. As the income increases, withdrawals also increase. The respondents with higher amount of income above Rs. 5,000, have withdrawn in between Rs.1500 to Rs.2000. If the income of customer increases, withdrawals also increase simultaneously and it leads to increase in the volume of transactions.

Table No. 26

Chi-Square Test

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	719.402	12	.000
N of Valid Cases	1000		

SPSS output

The Pearson Chi-Square test result shows that the value is 719.402 at 12 percent level of significance and Asymp. Sig. (2-sided) value is 0.000. The hypothesis can be accepted as the calculated 'p' value is less than 0.05. Hence, it can be concluded that there is a significant relationship between income and withdrawals of sample respondents. Transactions will improve when there is a flow of income.

H6: There is a significant relationship between income and expected loan amount of respondents.

Table No. 27
Cross Tabulation (Income and Expected Loan amount)

	Expected Loan				
Income	Rs 2000 to Rs 5000	Rs 5000 to 10000	Rs 10000 to Rs 15000	Rs 15000 to Rs 20000	Total
Up to 2000	5	26	21	55	107
2000 to 3000	84	107	201	0	392
3000 to 4000	26	181	38	0	245
4000 to 5000	39	90	22	1	152
above 5000	6	58	31	9	104
Total	160	462	313	65	1000

Source: Primary Data

Observations: The above table explains the Cross Tabulation between the Income and Expected Loan of respondents. While conducting the pilot study, it is observed that the maximum limit of expected loan amount is Rs. 20,000. 46.2% of respondents are expecting loan between Rs.5,000 to Rs.10,000. Banks can focus on the mini lending credit disbursement as their expected amount is affordable to banks.

Table No. 28
Chi-Square Test

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square N of Valid Cases	595.587 1000	12	.000

SPSS output

The Pearson Chi-Square test result shows that the value is 595.587 at 12 percent level of significance and Asymp. Sig. (2-sided) value is 0.000. The hypothesis can be accepted as the calculated 'p' value is less than 0.05. Hence, it can be reasoned that there is a significant relationship between expected loan amount and income of respondents.

H7: There is a significant relationship between level of income and affordable investment on micro insurance products.

Table No.29
Cross tabulation (Income and Affordable Investment in
Micro Insurance Products)

	Affordable amount on Micro Insurance Products						
	100 to 200	200 to 300	300 to 400	400 to 500	Above 500	Not Interested	Total
Upto 2000	54	52	1	0	0	1	108
2000 to 3000	0	213	72	102	0	1	388
3000 to 4000	0	239	7	0	0	0	246
4000 to 5000	0	134	12	0	0	6	152
above 5000	0	79	17	2	0	9	106
Total	54	716	109	104	0	17	1000

Observations: The Table No. 29 shows the relationship between income of respondents and their affordable investment in Micro Insurance Products. No respondent is willing to invest more than Rs.400 p.a. on insurance. But 71.6% respondents are willing to invest Rs.200 to Rs.300. 1.7% respondents find no interest in the insurance products. 10.9% respondents are willing to invest Rs. 300 to Rs.400 p.a. and 10.4% are willing to invest between Rs.400 to Rs.500p.a.

Table No. 30
Chi-Square Test

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1751.657	25	.000
N of Valid Cases	1000		

SPSS output

The Pearson Chi-Square test result shows that the value is 1751.657 at 25 percent level of significance and Asymp. Sig. (2-sided) value is 0.000. The hypothesis can be accepted as the calculated Asymp. Sig. (2-sided) value is less than 0.05. Hence, it can be concluded that there is a significant relationship between income and withdrawals of sample respondents.

H8: There is a significant impact of Savings on Overall impression on Business

Correspondent model between Andhra Bank and State Bank of India.

Table No. 31

Cross Tabulation (Savings and Overall Impression)

	Overall impression				
Savings	Poor	Satisfactory	Good	Very Good	Total
Strongly Disagree	0	5	8	0	13
Disagree	3	6	3	0	12
Neither agree nor disagree	0	25	186	59	270
Agree	0	426	244	30	700
Strongly Agree	0	2	3	0	5
Strongly Disagree Disagree	3	464	444	89	1000

Source: Primary Data

Table No.32**Chi-Square test**

Bank		Value	Df	Asymp. Sig. (2-sided)
Andhra Bank	Pearson Chi-Square	156.790	4	.000
	N of Valid Cases	500		
SBI	Pearson Chi-Square	212.297	12	.000
	N of Valid Cases	500		
Total	Pearson Chi-Square	482.339	12	.000
	N of Valid Cases	1000		

SPSS output

Observations: The Table No. 31 shows the cross tabulation between savings and overall impression on BC model. Around 700 respondents have agreed that their savings are improved after opening an account. The chi-square table shows that there is significant relationship between savings and overall impression on BC model both in case of Andhra Bank as well as SBI. As the 'p' value is less than 0.05, the hypothesis can be accepted.

H9: There is a significant impact of societal aspects on Overall impression on Business Correspondent model between Andhra Bank and State Bank of India.

Table No. 33**Cross Tabulation (Impact on Savings and Overall Impression)**

	Overall impression				
Impact on Savings	Poor	Satisfactory	Good	Very Good	Total
Strongly Disagree	0	132	154	4	290
Disagree	3	1	8	0	12
Neither agree nor disagree	0	147	45	24	216
Agree	0	132	235	61	428
Strongly Agree	0	52	2	0	54
Total	3	464	444	89	1000

Source: Primary Data

Table No.34
Chi-Square Test

Bank		Value	df	Asymp. Sig. (2-sided)
Andhra Bank	Pearson Chi-Square	109.769	8	.000
	N of Valid Cases	500		
SBI	Pearson Chi-Square	207.714	12	.000
	N of Valid Cases	500		
Total	Pearson Chi-Square	427.289	12	.000
	N of Valid Cases	1000		

SPSS output

Observations: The Table No. 33 shows the cross tabulation between societal factors and overall impression on BC model. Around 428 respondents have agreed that the societal factors like greater societal acceptance, friendships, cooperation from villagers have improved after joining as BC. The chi-square test result shows that both the variables have significant relationship between each other as 'p' value is less than 0.05 in all the above cases. Hence, the hypothesis is accepted.

5.11. Result of Analysis

Hypothesis	Result	Accept/Reject
H1: There is a significant relationship between Motivation to open an account and Status of account.	P = 0.001 P < 0.05	Accept the Hypothesis.
H2: There is a relationship between category of person who motivates to open an account and the status of account of respondents	P = 0.000 P < 0.05	Accept the Hypothesis.
H3: There is a significant impact of Level of Income on Status of Account:	P = 0.000 P < 0.05	Accept the Hypothesis.
H4: There is a significant relationship between level of income and Savings of account of respondents.	P = 0.000 P < 0.05	Accept the Hypothesis.

H5: There is a significant relationship between Income and Withdrawals of respondents.	P = 0.000 P < 0.05	Accept the Hypothesis.
H6: There is a significant relationship between Income and expected loan amount of respondent.	P = 0.000 P < 0.05	Accept the Hypothesis.
H7: There is a significant relationship between level of income and affordable investment on micro insurance products.	P = 0.000 P < 0.05	Accept the Hypothesis.
H8: There is a significant impact of savings on overall impression Business Correspondent model between Andhra Bank and State Bank of India.	P = 0.000 P < 0.05	Accept the Hypothesis.
H9: There is a significant impact of societal aspects on overall impression on Business Correspondent model between Andhra Bank and State Bank of India.	P = 0.000 P < 0.05	Accept the Hypothesis.

5.12. Factor Analysis:

Factor Analysis is a multivariate statistical technique. It denotes a class of procedures primarily used for data reduction and summarization. A factor is an underlying dimension that explains the correlations among a set of variables. Factor analysis is used to find factors among observed variables. We can produce a small number of factors from a large number of variables which is capable of explaining the observed variance in the larger number of variables. The reduced factors can also be used for further analysis.

There are three stages in factor analysis:

1. Firstly, a correlation matrix is generated for all the variables.
2. Secondly, factors are extracted from the correlation matrix based on the correlation coefficients of the variables.
3. Thirdly, the factors are rotated in order to maximise the relationship between the variables and a few other factors.

The approach used to derive the weights or factor score coefficients differentiates the various methods of factor analysis. The two basic approaches are Principal Component Analysis and Common Factor Analysis.

Principal Component Analysis: In this approach the total variance in the data is considered. The diagonal of the correlation matrix consist of unities, and full variance is brought into the factor matrix. The factor matrix contains the coefficients called factor loadings used to express the standardized variables in terms of the factors. The factors are rotated so that the factor matrix is transformed into a simpler one which is easier to interpret. The most commonly used method for rotation is the varimax rotation. The varimax rotation is an orthogonal method of factor rotation that minimises the number of variables with high loadings on a factor, thereby enhancing the interpretability of factors. Interpretation is facilitated by identifying the variables that have large loadings on the same factors. Factors whose loadings are greater than or equal to 0.6 are considered. Later the factors are named appropriately.

The following are the key statistics associated with the factor analysis.

Kaiser-Meyer-Olkin (KMO) and Bartlett's Test: The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed. There is a universal agreement that factor analysis is inappropriate when sample size is below 50. Kaiser (1974) recommended 0.5 as barely accepted, values between 0.7-0.8 acceptable, and values above 0.9 are highly acceptable.

Correlation Matrix: It is a lower triangle matrix showing the correlations 'r' between all possible pairs of variables included in the analysis.

Eigen Values: The Eigen value represents the total variance explained by each factor.

Factor loadings: These are simple correlations between the variables and the factors. A factor loading plot is a plot of the original variables using the factor loadings as coordinates.

Percentage of variance: This is the percentage of the total variance attributed to each factor.

Residuals: Residuals are the differences between the observed correlations, as given in the input correlation matrix, and the reproduced correlations, as estimated from the factor matrix.

Scree Plot: A scree plot is a plot of the Eigen values against the number of factors in order of extraction.

Overview of Structural Equation Modeling (SEM):

SEM is an extension of the General Linear Model (GLM) that enables a researcher to test a set of regression equations simultaneously. SEM software can test traditional models, but it also permits examination of more complex relationships and models. The data analyst usually supplies SEM programs with raw data, and the programs convert these data into covariance and means for its own use. The model consists of a set of relationships among the measured variables. These relationships are then expressed as restrictions on the total set of possible relationships. The results feature the overall indexes of model fit as well as parameter estimates, standard errors, and test statistics for each free parameter in the model.

5.13. Influencing factors to open an account with BC – Factor Analysis:

Hypotheses framed for the study;

- H10 : There is a significant relationship between aspiration factors to open an account and overall impression on Business Correspondent model.
- H11 : There is a significant relationship between accessibility factors to open an account and overall impression on Business Correspondent model.
- H12 : There is a significant relationship between availability factors to open an account and overall impression on Business Correspondent model.
- H13 : There is a significant relationship between affordability factors to open an account and overall impression on Business Correspondent model.

It is important from the BC point of view to understand the influencing factors of account holders to open an account through BC. This helps us to know the customer's need, expectation and also helps to penetrate the banking services to remote areas. The sample respondents were requested to choose the scale option of influencing factors. Bartlett's test of Sphericity and Kaiser – Meyer – Olkin – (KMO) measures of sampling adequacy are used to examine the appropriateness of factor analysis.

Table No. 35

KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.791
Bartlett's Test of Sphericity	6327.67	21242.1
	66	105
	0	0

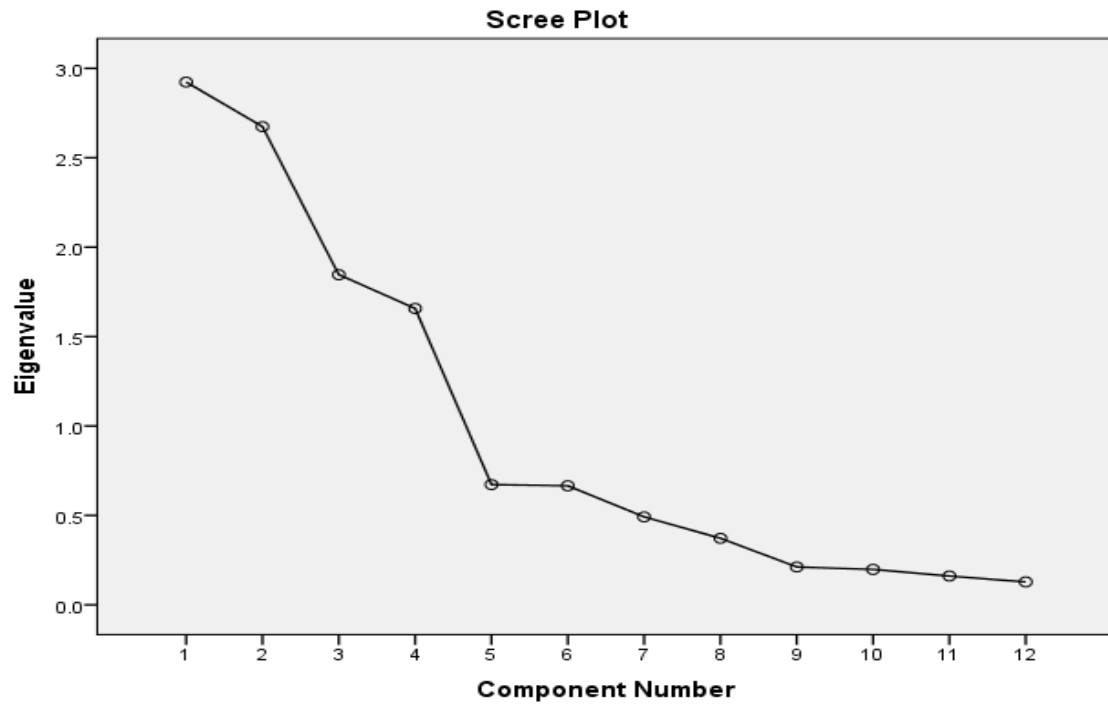
The Chi-square value at 66 degrees of freedom is 6327.668 and is significant at 0.05 percent level. The Kaiser – Meyer – Olkin – (KMO) measures of sampling adequacy value is high at 0.791. As it is between 0.5 and 1.0 as per above considerations, the factor analysis is considered as an appropriate technique for further analysis of data.

Table No. 36
Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings
	Total	% of Variance	Cumulative %	Total
1	2.923	24.357	24.357	2.923
2	2.674	22.282	46.639	2.674
3	1.846	15.382	62.022	1.846
4	1.657	13.809	75.831	1.657
5	.673	5.604	81.435	
6	.666	5.546	86.981	
7	.492	4.100	91.081	
8	.372	3.100	94.180	
9	.212	1.764	95.944	
10	.198	1.648	97.592	
11	.161	1.341	98.933	
12	.128	1.067	100.000	

Extraction Method: Principal Component Analysis.

The Table No. 36 explains the total variance in the analysis. The principal components factor analysis with varimax rotation resulted in a scree plot and Eigen values favouring a four factor solution. Twelve items are loaded on one of the four factors, with cumulative variance for factors totaling 75.831 percent.

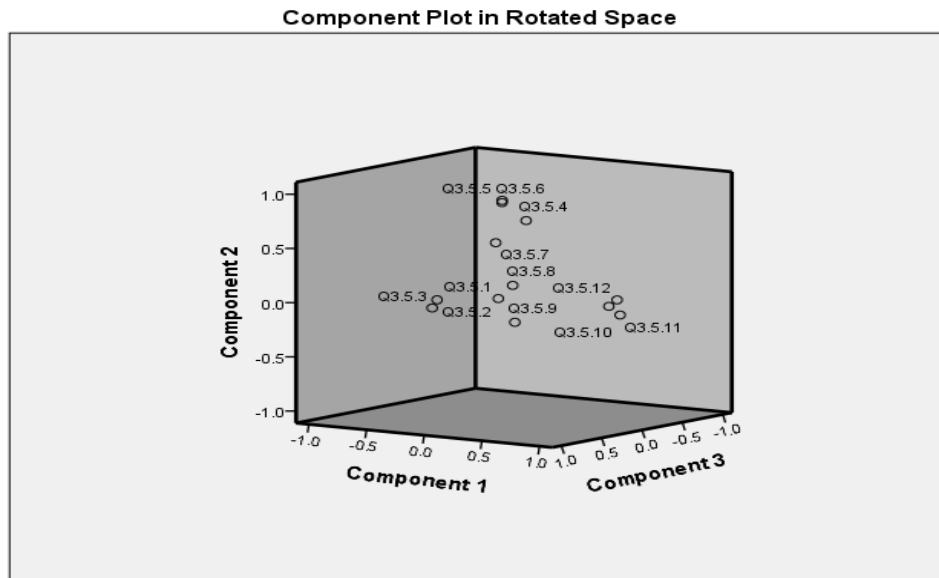


The Scree plot presented in the above chart presents the component plot in rotated space. Variables having high factor loadings, greater than or equal to 0.6 are to be considered. The table No. 37 presents the rotated component matrix and component transformation matrix in the analysis.

Table No. 37
Rotated Component Matrix

	Variable	Component			
		1	2	3	4
3.5.1	BC is available for entire day	.375	.133	.730	.007
3.5.2	Minimum withdrawal is Re.1	-.036	.104	.900	.076
3.5.3	Responds to immediately	-.127	.010	.830	.060
3.5.4	Provides information about banking products	.161	.737	.079	-.222
3.5.5	Saves Waiting time	-.033	.906	.100	.080
3.5.6	Saves traveling time	-.061	.878	.060	.246
3.5.7	Saves transport cost	-.165	.486	-.009	.647
	Saves operating time				
3.5.8	CSP is in walk able distance	-.026	.105	-.021	.853
3.5.9	BC provides all services of banks	.148	-.185	.201	.781
3.5.10	BC conducts Financial literacy programmes	.904	.026	.116	.080
3.5.11	BC encourages for savings	.918	-.070	-.003	.048
	BC is available for entire day				
3.5.12	Minimum withdrawal is Re.1	.857	.056	-.053	-.117

Diagram No

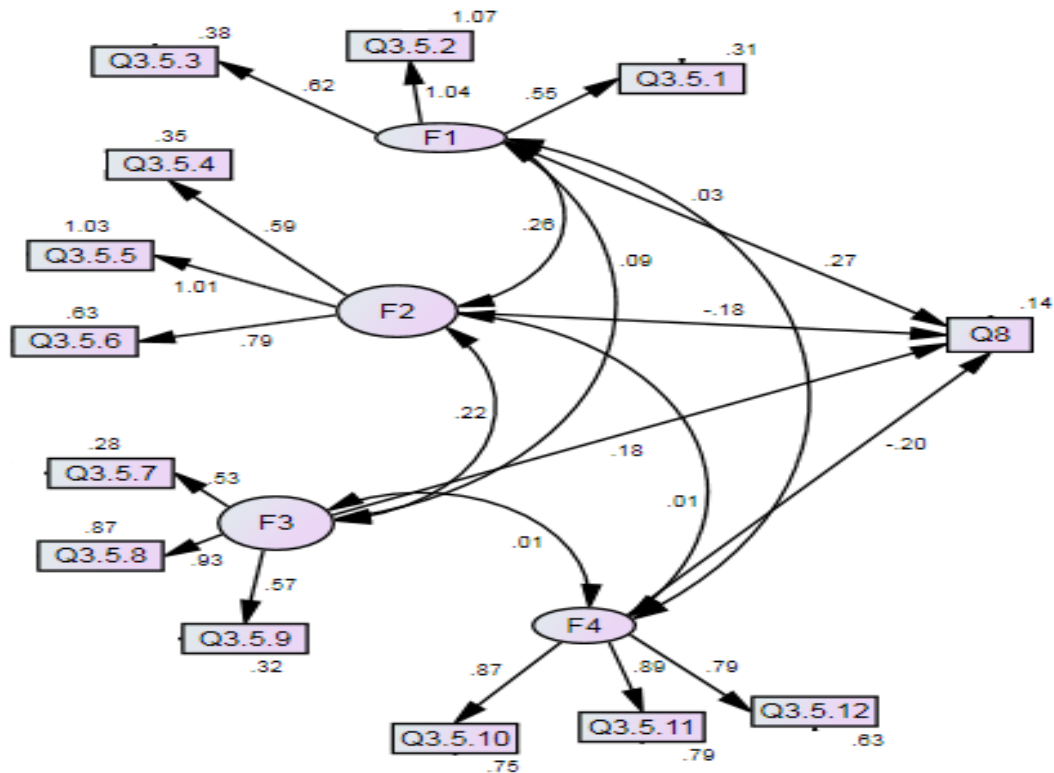


Influencing factors to open an account are conceptualized as Aspirations, Accessibility, Availability and Affordability.

Table No. 38
Factor Loadings

	Factor Loadings			
Factor 1 – Aspirations				
1- Hoping that BC provides all Services of bank	.904			
2- Financial literacy Programmes	.918			
3- Encouragement for savings	.857			
Factor 2 – Accessibility				
1- Providing Information		.737		
2- Saves waiting time		.906		
3- Saves travelling time		.878		
Factor 3 – Availability				
1- Available for entire day			.730	
2- Minimum saving and withdrawal facility			.900	
3- Response to queries			.830	
Factor 4 – Affordability				
1- Saves transport cost				.647
2- Saves operating time				.853
3- CSP is in walk able distance				.781

From the result of factor analysis, it is concluded that there are four factors considered by respondents with regard to the influencing factors to open an account with Business Correspondent. The factors are named as Aspirations, Accessibility, Availability and Affordability. The factor loadings are given against the appropriate attributes. These factors are tested using SEM-AMOS i.e Structural Equation Model.



Model to fit summary of Research Methodology:

χ^2	Df	χ^2/df	GFI	AGFI	NFI	TLI	CFI	RFI	IFI	RMSEA
192.254	56	3.433	0.912	0.906	0.908	0.901	0.931	0.908	0.911	0.045

It can be seen in the table that all the fit indices are above 0.90 and RMSEA value is 0.045 which indicates the Research Model has good fit. Hence, researcher has gone ahead with further analysis.

Table No. 39**5.14. Regression Weights**

	Non- Standard Regression Weights	Standard Regression Weights	S.E.	C.R.	P
3.5.1 <--- F1 (Aspirations)	1.000	.552			
3.5.2 <--- F1 (Aspirations)	2.010	1.036	.132	15.251	***
3.5.3 <--- F1 (Aspirations)	1.226	.620	.074	16.642	***
3.5.4 <--- F2 (Accessibility)	1.000	.590			
3.5.5 <--- F2 (Accessibility)	1.696	1.014	.087	19.541	***
3.5.6 <--- F2 (Accessibility)	1.295	.791	.064	20.391	***
3.5.7 <--- F3 (Availability)	1.000	.528			
3.5.8 <--- F3 (Availability)	2.441	.932	.203	12.007	***
3.5.9 <--- F3 (Availability)	1.428	.566	.105	13.587	***
3.5.10 <--- F4 (Affordability)	1.000	.868			
3.5.11 <--- F4 (Affordability)	1.049	.888	.032	32.647	***
3.5.12 <--- F4 (Affordability)	1.031	.793	.035	29.335	***
8 <--- F1 (Aspirations)	.546	.267	.065	8.371	***
8 <--- F2 (Accessibility)	-.318	-.178	.057	-5.592	***
8 <--- F3 (Availability)	.447	.180	.084	5.347	***
8 <--- F4 (Affordability)	-.195	-.196	.031	-6.253	***

Source: Primary data.

(Note: 3.5.1- BC provides all Services of bank, 3.5.2- Financial literacy Programmes
3.5.3- Encouragement for savings, 3.5.4- Providing Information, 3.5.5- Saves waiting
time, 3.5.6- Saves travelling time, 3.5.7- Available for entire day, 3.5.8- Minimum
saving and withdrawal facility, 3.5.9- Response to queries, 3.5.10- Saves transport cost,

3.5.11- Saves operating time, 3.5.12- CSP is in walk able distance, 8- Overall impression on BC model).

The Table No. 39 explains the relationship within factors and also relationship with overall impression on BC Model. S.E denotes Standard Error, C.R denotes Critical Ratio and P denotes whether the relationship is significant or not. The relation is significant if the 'p' value is less than 0.001. Critical ratio helps to know the higher/lower impact of the attribute on factors. The advised CR is + or – 1.96.

In the above table the relationship between four factors and the overall impression is measured. Both the Critical Ratio of Factor 1 and Factor 3 are higher than 1.96. Hence, these factors have higher impact on overall satisfaction. The 'p' value for these factors is also '0', which means these attributes has significant impact on overall impression on BC Model. The Critical Ratio for Factor 2 and 4 is negative which indicates that there is a less impact of these factors on overall impression. *** *Significant at Probability level 0.001*; S.E= Non-standard regression weights/C.R

5.15. Impact on Overall Satisfaction

S.No	Factors	C.R. Result	Impact
1	Aspiration	C.R = 8.371	Aspiration factors like Providing all services of bank, conducting literacy programmes, encouragement for savings has higher impact on overall satisfaction.
2	Accessibility	C.R = -5.592	Accessibility factors like Providing Information, Saving waiting time, Saving travelling time has less impact on overall satisfaction
3	Availability	C.R = 5.347	Availability factors like BC availability for entire day, Minimum saving and withdrawal facility, Response to queries has higher impact on overall impression on BC model.
4	Affordability	C.R = -6.253	Affordability factors like saving transport cost, saving operating time, CSP distance has less impact on overall impression on BC model

5.16 Result of Analysis

S.No	Factors	Hypothesis	result	Accept/ Reject
1	Aspiration	H10: There is a significant relationship between Aspiration factors to open an account and overall impression on BC model	P < 0.001	Accept the hypothesis
			P = 0.0	
2	Accessibility	H11: There is a significant relationship between Accessibility factors to open an account and overall impression on BC model.	P < 0.001	Accept the hypothesis
			P = 0.0	
3	Availability	H12: There is a significant relationship between Availability factors to open an account and overall impression on BC model.	P < 0.001	Accept the hypothesis
			P = 0.0	
4	Affordability	H13: There is a significant relationship between Affordability factors to open an account and overall impression on BC model.	P < 0.001	Accept the hypothesis
			P = 0.0	

5.17. Factor Analysis - Impact Assessment of Financial, Psychological and Health and Educational Aspects:

The researcher has tried to measure the Impact of Financial Inclusion (Accounts through BC) on four factors -Financial, Psychological, Health and Educational Aspects, and Societal Aspects. Each aspect includes various variables related to the factor concerned. Financial aspects include savings, investments, living standards, assets and business expansion. Psychological aspects include self-confidence, general awareness, banking habits and agricultural skills. Health and educational aspects includes health,

nutrition and education. Societal aspects include greater social acceptability, helping others and exposure. This analysis helps us to analyse the impact of these aspects on overall satisfaction.

Hypotheses:

- H14 : There is a significant impact of Psychological factors on the overall impression of Business Correspondent Model.
- H15 : There is a significant impact of Financial factors on the overall impression of Business Correspondent Model.
- H16 : There is a significant impact of Health & Education factors on the overall impression of Business Correspondent model.
- H17 : There is a significant impact of Societal factors on the overall impression of Business Correspondent model.

FACTOR ANALYSIS:

Table No. 40
KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.785
Bartlett's Test of Sphericity	Approx. Chi-Square	21242.115
	Df	105
	Sig.	.000

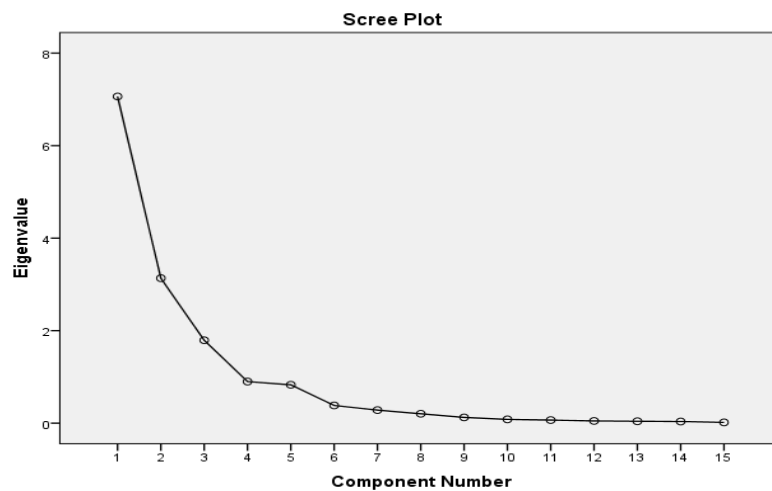
The Chi-square value at 105 degrees of freedom is 21242.115 and is significant at 0.05 percent level. The Kaiser – Meyer – Olkin – (KMO) measures of sampling adequacy value is high at 0.785. It is between 0.5 and 1.0 as per the above considerations and therefore, the factor analysis is considered as an appropriate technique for further analysis of data.

Table No. 41
Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings
	Total	% of Variance	Cumulative %	Total
1	7.062	47.077	47.077	7.062
2	3.134	20.891	67.968	3.134
3	1.792	11.950	79.918	1.792
4	1.100	5.998	85.915	1.100
5	.829	5.529		
6	.383	2.556		
7	.283	1.884		
8	.203	1.354		
9	.124	.830		
10	.082	.544		
11	.067	.445		
12	.048	.321		
13	.041	.276		
14	.035	.237		
15	.016	.110		

Extraction Method: Principal Component Analysis.

The Principal Components of factor analysis with varimax rotation resulted in a Scree Plot and Eigen values favouring a four Factor solution. Fifteen items are loaded on one of the four factors, with cumulative variance for factors totaling 85.186 percent. The chart below explains the total variance in the analysis.



Scree plot is presented in the above chart which presents component plot in rotated space. The Table No. 42 below presents the rotated component matrix and component transformation matrix of the variables.

The factors are conceptualized by the researcher as Psychological, Financial and Health and Educational Factors. The result of Rotated Component Matrix is given below. Variables having high factor loadings, greater than or equal to 0.6 are to be considered.

Table No. 42
Rotated Component Matrix

	Variable	Component			
		1	2	3	4
7.1	Savings	.110	0.726	-.103	-.830
7.2	Investments (like in Insurance Products)	.283	0.718	.161	.240
7.3	Living Standards (Using Electrical and Comfort goods)	-.017	0.873	.003	-.110
7.4	Assets (land, live stocks, Vehicles etc)	.045	0.913	-.013	.009
7.5	Business expansion	.140	0.861	.045	.024
7.6	Self Confidence	0.904	.035	.199	-.112
7.7	General Awareness	0.925	.030	.214	-.105
7.8	Banking Habits	0.934	.081	.186	-.072
7.9	Business/ Agricultural Skills	0.909	.054	.124	.017
7.10	Health	.332	.069	0.899	.058
7.11	Nutrition	.202	.094	0.911	.057
7.12	Education	.198	-.022	0.915	.168
7.13	Greater Social Acceptability	.416	.331	.304	0.711
7.14	Helping others	.480	.308	.247	0.728
7.15	Exposure	.463	.274	.244	0.758

Extraction Method: Principal Component analysis.

Rotation Method: Varimax with Kaiser normalization,

Rotation converged in to 4 iterations.

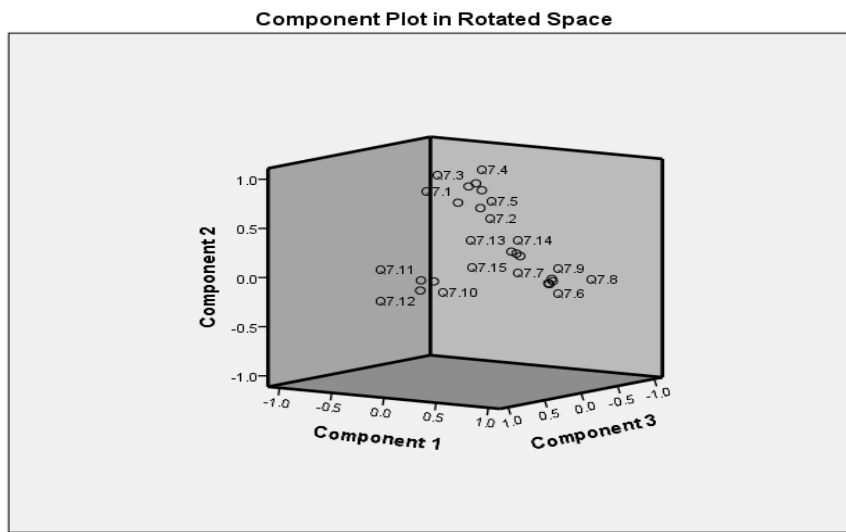
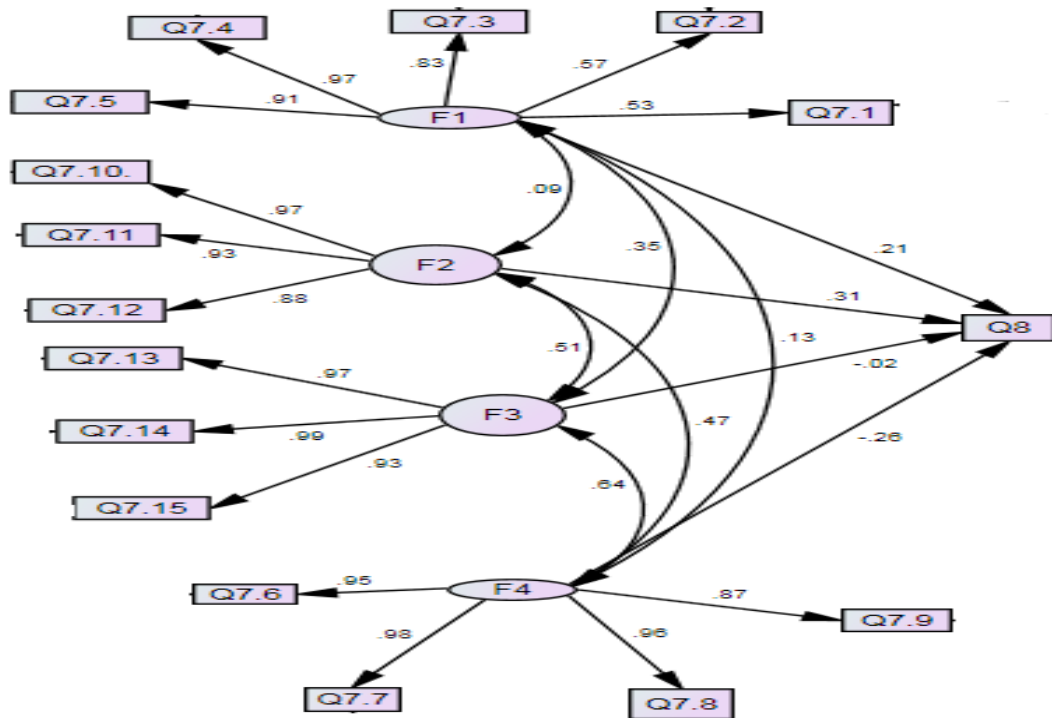


Table No. 43
Factor Loadings

	Factor Loadings			
Factor 1: Psychological Aspects	1	2	3	4
7.6 Self Confidence	0.904			
7.7 General Awareness	0.925			
7.8 Banking Habits	0.934			
7.9 Business/ Agricultural Skills	0.909			
Factor 2: Financial Aspects				
7.1 Savings		0.726		
7.2 Investments (like in Insurance Products)		0.718		
7.3 Living Standards (Using Electrical and Comfort goods)		0.873		
7.4 Assets (land, live stocks, Vehicles etc)		0.913		
7.5 Business expansion		0.861		
Factor 3: Health and Educational				
7.10 Health			0.899	
7.11 Nutrition			0.911	
7.12 Education			0.915	
Factor 4: Societal Aspects				
7.13 Greater Social Acceptability				0.711
7.14 Helping others				0.728
7.15 Exposure				0.758

All the 15 variables are fitted in 4 factors and they are named as Psychological, Financial, Health and Educational Aspects, and Societal Aspects. These factors are analysed using Structure Equation Model with the support of AMOS.



Model Fit Summary of Research Model (M_R)

χ^2	<i>df</i>	χ^2/df	<i>GFI</i>	<i>AGFI</i>	<i>NFI</i>	<i>TLI</i>	<i>CFI</i>	<i>RFI</i>	<i>IFI</i>	<i>RMSEA</i>
306.85	95	3.23	0.981	0.921	0.932	0.943	0.941	0.912	0.944	0.047

The above table shows that all the fit indices are above 0.90 and RMSEA value is 0.039 which indicates that the Research Model has good fit. Hence, the researcher has proceeded with further analysis.

Table No. 44

5.18. Regression Weights (Group number 1 - Default model)

Variables	Non-Standard Regression Weights	Standard Regression Weights	S.E.	C.R.	P
7.6 <--- F1 (Psychological Factors)	1.000	.954			
7.7 <--- F1 (Psychological Factors)	.989	.985	.012	84.730	***
7.8 <--- F1 (Psychological Factors)	.960	.957	.013	71.492	***
7.9<--- F1 (Psychological Factors)	.874	.875	.018	49.072	***
7.3<--- F2 (Financial Factors)	1.000	.831			
7.1 <--- F2 (Financial Factors)	.684	.530	.038	17.871	***
7.2<--- F2 (Financial Factors)	.912	.574	.046	19.660	***
7.4<--- F2 (Financial Factors)	1.043	.974	.025	41.388	***
7.5<--- F2 (Financial Factors)	.976	.914	.025	38.374	***
7.10<--- F3 (Health & Educational Factors)	1.000	.970			
7.11<--- F3 (Health & Educational Factors)	.947	.934	.015	61.993	***
7.12<--- F3(Health & Educational Factors)	.882	.876	.018	49.307	***
7.13<--- F4 (Societal Factors)	1.000	.970			
7.14<--- F4 (Societal Factors)	1.001	.994	.009	108.459	***
7.15<--- F4 (Societal Factors)	1.062	.929	.016	66.684	***
8<--- F1 (Psychological Factors)	-.246	-.263	.038	-6.446	***
8<--- F2 (Financial Factors)	.183	.213	.028	6.427	***
8<--- F3 (Health & Educational Factors)	.261	.309	.031	8.425	***
8<--- F4 (Societal Factors)	-.008	-.017	.022	-.376	.707

5.19. Impact Assessment

S.No	Factors	C.R Result	Impact
1	Psychological factors	-6.446	Psychological factors like Self Confidence, General Awareness, Banking Habits and Business/ Agricultural Skills has lesser impact on the overall impression.
2	Financial Factors	6.427	Financial Factors like Investments, Living Standards, Assets and Business Expansion has higher impact on the overall impression on BC model.
3	Health & Education	8.425	Health and Educational Factors like Health, Nutrition, Child Education has higher impact on the overall impression on BC model.
4	Societal Factors	-.376	Societal Factors like Greater Social Acceptability, Helping others, Exposure has lesser impact on the overall impression on BC model.

5.20. Result of Analysis

S.No.	Factor	Hypotheses	Result	Accept/Reject
1	Psychological factors	H14: There is a significant impact of Psychological factors on the overall impression of BC model	$P < 0.001$ $p = 0.0$	As 'p' value is less than 0.001, accept the hypothesis
2.	Financial Factors	H15: There is a significant impact of Financial factors on the overall impression of BC model.	$P < 0.001$ $p = 0.0$	As 'p' value is less than 0.001, accept the hypothesis
3	Health & Education	H16: There is a significant impact of Health & Education factors on the overall impression of BC model	$P < 0.001$ $p = 0.0$	As 'p' value is less than 0.001, accept the hypothesis
4	Societal Factors	H17: There is a significant impact of Societal factors on the overall impression of BC model	$P < 0.001$ $p = 0.707$	As 'p' value is more than 0.001, reject the hypothesis

The table no.45 shows the overall impression on BC model. 997 beneficiaries almost satisfied with and by having this model.

Table No. 45

**5.21. Frequency Distribution of Overall Impression and Reliability
of using Business Correspondent Model**

S.No	Factors	Influencing Factors	No of Respondents	Percentage
8	Overall impression on BC model	Poor	3	.3
		Satisfactory	464	46.4
		Good	444	44.4
		Very Good	89	8.9
		Total	1000	100.0
9	Choice of BC model is reliable	Strongly Disagree	--	---
		Disagree	3	.3
		Neither agree nor disagree	381	38.1
		Agree	551	55.1
		Strongly Agree	65	6.5
		Total	1000	100.0

Figure No. 11

Overall Impression on Business Correspondent

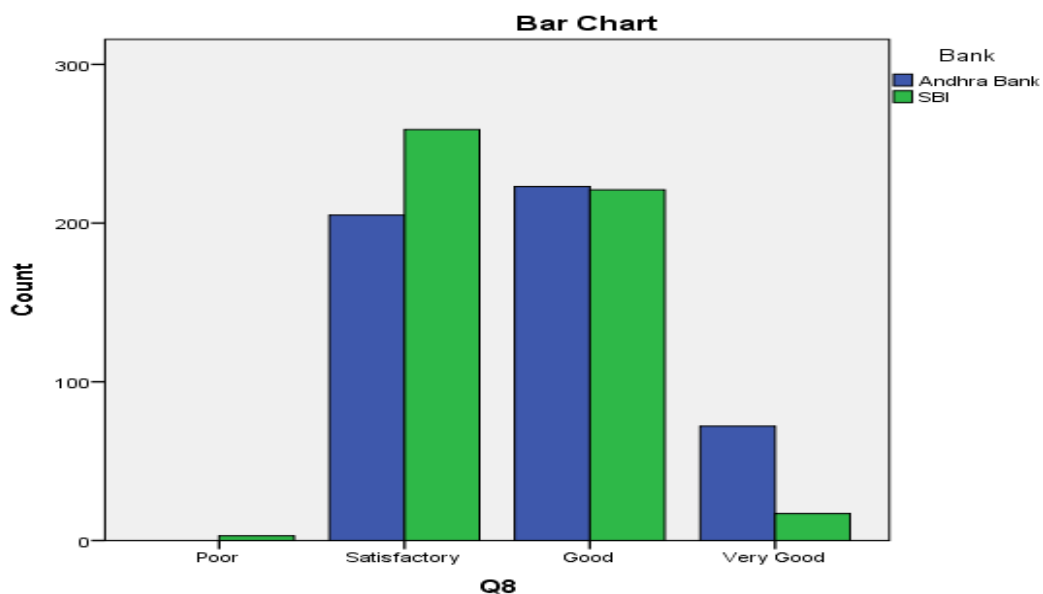
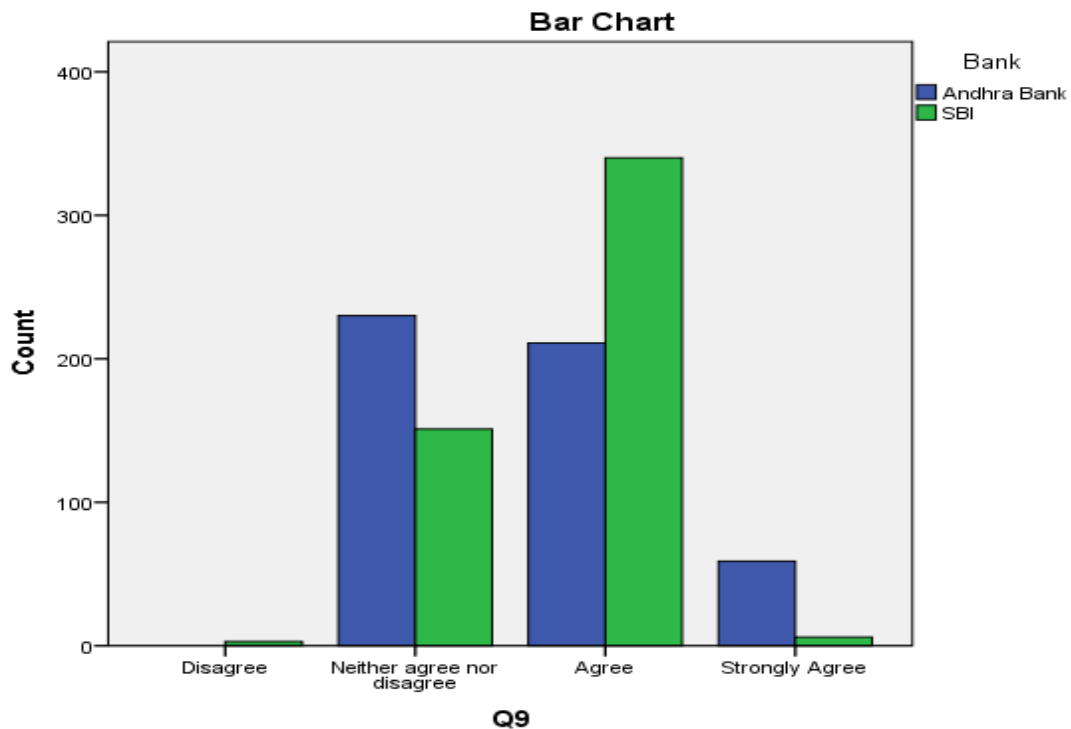


Figure No. 12
Reliability:



Observations: It is observed that around 997 respondents are satisfied with the BC model and its working. They have accepted the fact that the model is satisfactory and around 551 respondents stated that the choice of BC model is reliable. Affordability, Accessibility, Availability, Transparency etc. are the main reasons for higher satisfaction of the account holders.

5.22. Conclusion:

The analysis could trace out that “Financial Inclusion through BC Model” is an effective mode of reaching out the unreached. The Impact of Financial Inclusion on various variables is positive, effective and satisfactory. Now, it is the duty of GOI, RBI and other stakeholders to extend the services of BC to the lowest level of rural segments.

CHAPTER VI

BC MODEL OF FINANCIAL INCLUSION: BUSINESS CORRESPONDENTS' PERSPECTIVE

BC Model of Financial Inclusion brings out the overall satisfaction in functioning as BC which includes the BCs of Warangal and Mahaboob nagar districts. The researcher has tried to analyse the overall satisfaction of BCs with various dependent variables like motivational factors, perception, financial factors, satisfaction factors and responsiveness. In this context, an appropriate questionnaire is designed to gather data from BCs. The total number of BCs of SBI in Warangal is 98 and BCs of Andhra Bank in Mahaboobnagar are 60. Out of total 158 BCs, 114 BCs have responded and given feedback on this model. The respondents from Andhra Bank are 48 out of 114 whose proportion is 42.1% and the respondents from SBI are 66 out of 114 whose proportion is 57.9%. In this chapter, the researcher used various statistical tools like Averages/ Mean, Frequency Distribution, Cross Tabulation and Chi-Square test to analyse the data.

Table No. 46

6.1. Demographic profile of Business Correspondents

S.No	Factors	Categories	No. of Respondents	Percentage	Cumulative Percent
1	Age	21 to 30 years	35	30.7	30.7
		31 to 40 years	47	41.2	71.9
		41 to 50 years	31	27.2	99.1
		51 to 60 years	1	.9	100.0
		Above 60yrs	0	0	
		Total	114	100.0	

2	Education	Secondary	9	7.9	7.9
		Intermediate	45	39.5	47.4
		Graduation	56	49.1	96.5
		Post Graduation	3	2.6	99.1
		Technical	1	.9	100.0
		Total	114	100.0	
3.	Category of BC	Men	82	71.9	71.9
		Women	32	28.1	100
		Total	114	100.0	

Source: Primary data

Observations: The frequency Table No.46 shows that 41.2% respondents are between 31-40 yrs and 30.7% are in the age group of 21-30 yrs. The cumulative percentage for this age group is 71.9%. It can be assumed that the candidates who were appointed as BCs are young and have more zeal to work efficiently. The frequency distribution of education makes us to understand that 56% of respondents are graduates. It can be assumed that BCs are well-educated and are capable of delivering the banking products and services to the end user. The table also shows that 71.9% respondents are men and the rest are women. The SHG – linkage program proved that women are successful financial managers and therefore women should be given more priority while recruiting BCs.

Table No. 47

6.2. Factors to join as Business Correspondent

Variable Number	Factor	Average	Rank
Var3.1	Was in urgency to get an employment	3.00	7
Var3.2	To improve the financial condition of family	3.12	6
Var3.3	To help the fellow villagers in providing banking services	3.73	2
Var3.4	In view of getting regular bank employment	3.69	3
Var3.5	To avail benefits on par with Bank employees	3.42	5
Var3.6	Strongly motivated to work as BC	3.84	1
Var3.7	In view of getting bank branch in the village	3.63	4

Source: Primary Data.

Total Score is calculated as “ $1*HDS+2*DS+3*N+4*S+5*HS$ ”

Mean Score = Total Score/Sample Size=Total Score/114

Observations: The Table No.47 shows the average of variables. The ranks are quoted on the basis of averages of variables. The first rank is given to the variable which got the mean of 3.6. This indicates that the most influencing factor to work as BC is motivation by Banker/ Service Provider. The second rank is given to variable 3.3 which indicates that the second most significant influencing factor to work as BC is to help fellow villagers in providing Banking Services. The third rank is given to variable 3.4 in which BCs were under the impression that they would be appointed as regular employees of banking business. The fourth rank is given to variable 3.7 which says that BC are under the impression that they would get bank branch in their village after opening more accounts through this model. The fifth rank is given to variable 3.5 which indicate that availing benefits on par with regular bank employees is the influencing factor to work as BC. The sixth rank is given to variable 3.2 and it indicates that BCs have joined to improve their financial conditions of their family and the last rank is given to variable 3.1 and it shows that the BCs have joined to acquire a job. The above analysis proves that the BCs are misguided by the Service Provider that they would be appointed as regular bank employees and they could avail all the benefits at par with the regular banker. As of now, RBI has no policy of appointing a BC as an on roll bank employee. It is also observed that BCs have joined to help the fellow villagers rather than gaining an employment.

The above analysis reveals that BCs are strongly motivated by Service Providers or bankers to work as BC. They also opined that they would be appointed as regular bank employees and would be paid equivalent to that of a banker. In reality, the bank does not give any appointment letter for outsourcing employment. Rather, they are paid very less i.e around Rs.2000 p.m (including minimum commission). Apart from these self

esteems, BCs joined to help fellow villagers and to acquire a formal bank branch in the village in view of gaining wider range of financial services.

6.3. Motivational Factors: The questions from 4.1 to 4.5 focused to understand the variables on which BC is Motivating the Account Holders.

Table No. 48
Motivational Factors

	Personally meet the people		Motivate to keep the account active		Encourage to make regular savings		Encourage to invest in micro insurance		Motivate to timely repayment of loans/ODs	
	F	%	F	%	F	%	F	%	F	%
Strongly disagree	16	14	0	0	1	0.9	1	0.9	0	0
Disagree	15	13.2	7	6.1	23	20.2	42	36.8	9	7.9
Neither agree Nor Disagree	26	22.8	24	21.1	19	16.7	14	12.3	24	21.1
Agree	42	36.8	74	64.9	46	40.4	40	35.1	60	52.6
Strongly Agree	15	13.2	9	7.9	25	21.9	17	14.9	21	18.4
Total	114	100	114	100	114	100	114	100	114	100

Source: Primary Data

Observations: The above table shows the frequency of motivational factors that are followed by BCs in due course of his/her service. 36.8% of BCs stated that they personally meet the potential clients to open an account. 64.9% respondents stated that they motivate clients to keep the accounts active. 40.4% respondents stated that they encourage the clients to make regular savings. Coming to the motivational factors, 35.1% BCs agreed that they show interest in encouraging the clients to invest in micro insurance. But, it is observed that 36.8% BCs disagreed that they do motivate clients in micro insurance investments. 52.6% BCs agreed that they motivate clients to pay the loans or ODs on time

Table No. 49**6.4. Perception**

	Need to increase in deposit limit		Need to increase in with drawl		Ready to handle over drafts		Ready to handle loans		Expecting more financial literacy programmes		Ready to take responsibility of recovery of loan	
	F	%	F	%	F	%	F	%	F	%	F	%
Strongly disagree	20	18	0	0	1	0.9	1	0.9	0	0	0	0
Disagree	20	18	7	6.1	20	18	38	33	11	9.6	5	4.4
Neither agree nor Disagree	25	22	24	21	14	12	12	11	23	20	19	17
Agree	43	38	76	67	44	39	39	34	62	54	74	65
Strongly Agree	6	5.3	7	6.1	35	31	24	21	18	16	16	14
Total	114	100	114	100	114	100	114	100	114	100	114	100

Source: Primary Data

Observations: The above frequency table states the frequency distribution of perception of BCs on various variables. 43 and 76 respondents agreed that there is a need for an increase in the deposit limit and withdrawal respectively. 44 respondents stated that they were ready to handle the overdrafts and 39 respondents stated that they were ready to handle loans. 62 respondents stated that they were expecting some sort of financial literacy training programmes by banks and 74 respondents stated that they were ready to take the responsibility of recovery of loans if they were given the right to handle loans.

Table No. 50**6.5. Responsiveness of Banks**

	Banks provide adequate financial literacy		You receive the updates of this model on time		Banks provides immediate funds to BC		Banker meets account holders regularly and resolves their problems		Regular training programmes by SP/Banks		CSP records gets audited regularly	
	F	%	F	%	F	%	F	%	F	%	F	%
Strongly disagree	18	16	9	7.9	1	0.9	2	1.8	1	0.9	0	0
Disagree	19	17	10	8.8	14	12	28	25	16	14	16	14
Neither agree nor Disagree	22	19	29	25	20	18	12	11	19	17	28	25
Agree	40	35	61	54	61	54	43	38	52	46	65	57
Strongly Agree	15	13	5	4.4	18	16	29	25	26	23	5	4.4
Total	114	100	114	100	114	100	114	100	114	100	114	100

Source: Primary Data

The above frequency table displays the frequency distribution of responsiveness of banks on various variables. 40 respondents agreed that banks provide appropriate and adequate financial literacy. But 3% respondents were of the opinion that the banks never provide financial literacy to BC. 61 respondents agreed that BC receives the updates of the model on time. 61 out of 114 respondents, whose proportion is 53.5%, stated that they got immediate funds from the banker. 77% BCs stated that the Banker visits the villages regularly. 52 respondents stated that they get regular training either by the banker/Service Provider. 65 respondents stated that their account books were audited regularly by the bank.

Table No. 51

6.6. Overall Satisfaction

	Frequency	Percentage	Cumulative percentage
Highly Satisfied	0	0	0
Satisfied	59	51.8	51.8
Moderate	4	3.5	55.3
Dissatisfied	30	26.3	81.6
Highly dissatisfied	21	18.4	100.0
Total	114	100.0	

Source: Primary Data

Observations: The frequency table shows that there were no respondents who were highly satisfied as Business Correspondent. 51.8% respondents were satisfied whereas 26.3% were dissatisfied and 18.4% were highly dissatisfied to work as BC. It means 55 respondents out of 114 which comprise of 44.7 % were not happy with the model.

Apart from the above factors, financial and satisfaction factors were analysed using Chi-Square Technique through Cross Tabulation. Cross Tabulation is first used to know the frequency of two variables in a dimensional table and later Chi-Square test is used to know the significance of the cross-tabulation table to find whether two variables were independent or not..

6.7. Hypotheses from BC Study:

H18 : There is a significant relationship between financial factors and overall satisfaction of Business Correspondents of Andhra Bank and State Bank of India (SBI).

H18a : There is a significant relationship between timely receipt of remuneration and overall satisfaction.

H18b : There is a significant relationship between amount of remuneration and overall satisfaction.

H18c : There is a significant relationship between the remuneration being met with bare necessities and overall satisfaction.

H18d : There is a significant relationship between timely receipt of commission and overall satisfaction.

H18e : There is a significant impact on financial condition after joining as BC and which has influenced the overall satisfaction.

H18a : There is a significant relationship between timely receipt of remuneration and overall satisfaction.

Table No. 52
Crosstab: Andhra Bank and SBI

		Overall satisfaction				Total
		Satisfied	Moderate	Dissatisfied	Highly dissatisfied	
Receive remuneration on time	Disagree	18	0	6	3	27
	Neither agree nor disagree	12	2	14	5	33
	Agree	27	2	9	12	50
	Strongly Agree	2	0	1	1	4
Total		59	4	30	21	114

Source: Primary Data

Table No. 53
Chi-Square test

Name of the Bank		Value	df	Asymp. Sig. (2-sided)
Andhra Bank	Pearson Chi-Square	6.019	6	.421
	N of Valid Cases	48		
SBI	Pearson Chi-Square	9.746	9	.371
	N of Valid Cases	66		
Total	Pearson Chi-Square	11.112	9	.268
	N of Valid Cases	114		

SPSS output

Observations: The Table No.52 shows that 59 BCs were satisfied with the BC model and 50 BCs agree that they receive remuneration on time. In regard to the significance between these two variables, the relationship is insignificant. The reason could be that though BCs are receiving the remuneration on time, it is negligible as their remuneration is only Rs.500, and therefore, the overall satisfaction is affected.

The difference between the variable is considered significant only when the 'p' value is less than 0.05. But in none of the cases p value is less than 0.05 as per the table no. 64. Hence, the hypothesis is rejected.

H18b: There is a significant relationship between amount of remuneration and overall satisfaction.

Table No. 54
Cross tabulation

For Andhra Bank and SBI			Overall Satisfaction				Total
		Highly Satisfied	Satisfied	Moderate	Dissatisfied	Highly dissatisfied	
Satisfied with the remuneration	Strongly Disagree	0	2	0	3	1	6
	Disagree	0	31	1	14	7	53
	Neither agree nor disagree	0	17	2	7	8	34
	Agree	0	8	1	6	3	18
	Strongly Agree	0	1	0	0	2	3
Total		0	59	4	30	21	114

Source: Primary Data

Table No: 55
Chi-Square Test

Name of the Bank		Value	Df	Asymp. Sig. (2-sided)
Andhra Bank	Pearson Chi-Square	13.900	6	.031
	N of Valid Cases	48		
SBI	Pearson Chi-Square	5.544	9	.785
	N of Valid Cases	66		
Total	Pearson Chi-Square	10.659	12	.558
	N of Valid Cases	114		

SPSS output

Observations: The Table No.54 shows the results of cross tabulation between overall satisfaction and satisfaction with the remuneration they receive. Surprisingly, only 3 respondents strongly agreed that they are satisfied with the remuneration. Though 18 respondents agreed that they were satisfied with the present remuneration, 6 respondents strongly disagreed and 53 disagreed with the same.

There is no significant relationship between the overall satisfaction and the satisfaction with the present remuneration either in case of Andhra Bank, SBI or both the banks. The difference between the variables is considered significant only when the 'p' value is less than 0.05. But in none of the cases 'p' value is less than 0.05. Hence, the hypothesis is rejected.

H18c: There is a significant relationship between the remuneration being met with necessities and overall satisfaction.

Table No. 56
Cross tabulation

		Overall satisfaction				Total
		Satisfied	Moderate	Dissatisfied	Highly dissatisfied	
Remuneration is meeting the day necessities	Strongly Disagree	5	0	3	4	12
	Disagree	36	0	12	13	61
	Neither agree nor disagree	12	4	13	3	32
	Agree	6	0	2	1	9
Total		59	4	30	21	114

Source: Primary Data

The Table No.56 shows the cross tabulation between remuneration being met with necessities and overall satisfaction. 73 respondents disagreed that the remuneration met the day to day necessities. Necessities are segmented into 3 groups. 1. Normal meals, 2. Payment of electricity/ water bills etc. 3. Education and hospitality.

Table No: 57
Chi-Square test

Name of the Bank		Value	Df	Asymp. Sig. (2-sided)
Andhra Bank	Pearson Chi-Square	6.788	6	.341
	N of Valid Cases	48		
SBI	Pearson Chi-Square	19.009	9	.025
	N of Valid Cases	66		
Total	Pearson Chi-Square	19.737	9	.020
	N of Valid Cases	114		

SPSS output

Observations: The Table No.57 shows that there is no significant relationship between the remuneration being met with necessities and overall satisfaction. The difference

between the variables is considered significant only when the 'p' value is less than 0.05. But in none of the case, 'p' value is less than 0.05. Hence, the hypothesis is rejected.

H18d: There is a significant relationship between timely receipt of commission and overall satisfaction.

Table No. 58
Cross tabulation

		Overall satisfaction				Total
		Satisfied	Moderate	Dissatisfied	Highly dissatisfied	
Receive commission on time	Strongly Disagree	4	0	1	0	5
	Disagree	18	2	4	5	29
	Neither agree nor disagree	12	0	10	6	28
	Agree	17	2	12	9	40
	Strongly Agree	8	0	3	1	12
Total		59	4	30	21	114

Source: Primary Data

Observations: The Table No.58 shows the cross tabulation between commission and overall satisfaction. 40 respondents agreed that they receive commission on time and 34 stated that they do not receive it on time. Researcher tried to see the significant relation between these variables to find whether the receipt of commission is leading to overall satisfaction or not.

Table No. 59
Chi-Square test

Name of the Bank		Value	df	Asymp. Sig. (2-sided)
Andhra Bank	Pearson Chi-Square	9.061	6	.170
	N of Valid Cases	48		
SBI	Pearson Chi-Square	11.459	12	.490
	N of Valid Cases	66		
Total	Pearson Chi-Square	10.816	12	.545
	N of Valid Cases	114		

SPSS output

Observations: The Table No.59 shows the significance between the commission they receive and the overall satisfaction. The difference between the variables is considered significant only when the 'p' value is less than 0.05. But in none of the cases 'p' value is less than 0.05. Hence, the hypothesis is rejected.

H18e: There is a significant impact on the financial condition after joining as BC and it has influenced the overall satisfaction.

Table No. 60
Cross tabulation

	Overall Satisfaction					
		Satisfied	Moderate	Dissatisfied	Highly dissatisfied	Total
Financial conditions are improved after joining as BC	Strongly Disagree	12	0	4	2	18
	Disagree	34	2	14	16	66
	Neither agree nor disagree	10	2	9	3	24
	Agree	3	0	3	0	6
	Strongly agree	59	4	30	21	114

Source: Primary Data

Observations: The Table No.60 shows the cross tabulation between financial condition after joining as BC and overall satisfaction. 66 respondents disagreed that their financial conditions improved after joining as BC. Only 6 respondents agreed that their financial conditions improved but none of the BCs strongly agreed with the statement.

Table No. 61
Chi-Square test

Name of the Bank		Value	df	Asymp. Sig. (2-sided)
Andhra Bank	Pearson Chi-Square	3.463	4	.484
	N of Valid Cases	48		
SBI	Pearson Chi-Square	12.136	9	.206
	N of Valid Cases	66		
Total	Pearson Chi-Square	10.213	9	.334
	N of Valid Cases	114		

SPSS Output

The Table No. 61 shows the significance between the improvement in financial condition and the overall satisfaction. The difference between the variables is considered significant only when the 'p' value is less than 0.05. But in none of the case, 'p' value is less than 0.05. Hence, the hypothesis is rejected.

6.8 Result of Analysis

	Name of the Bank	Result($P < 0.05$)	Accept/Reject
H18a: There is a significant relationship between timely receipt of remuneration and an overall satisfaction.	Andhra Bank	$P=0.421$	Reject the hypothesis
	SBI	$P=0.371$	
	Total	$P=0.268$	
H18b: There is a significant relationship between the amount of remuneration and an overall satisfaction.	Andhra Bank	$P=0.031$	Reject the hypothesis
	SBI	$P=0.785$	
	Total	$P=0.558$	
H18c: There is a significant relationship between the remuneration being met with necessities and an overall satisfaction.	Andhra Bank	$P=0.341$	Reject the hypothesis
	SBI	$P=0.025$	
	Total	$P=0.020$	
H18d: There is a significant relationship between timely receipt of commission and an overall satisfaction.	Andhra Bank	$P=0.170$	Reject the hypothesis
	SBI	$P=0.490$	
	Total	$P=0.545$	
H18e: There is a significant impact on financial condition after joining as BC and which has influenced the overall satisfaction.	Andhra Bank	$P=0.484$	Reject the hypothesis
	SBI	$P=0.206$	
	Total	$P=0.334$	

H19 : There is a significant relationship between non-financial factors and overall satisfaction of BC's of both banks (Q6 and Q9)

H19a : There is a significant relationship between working environment and overall satisfaction.

H19b : There is a significant relationship between response from banks and overall satisfaction.

H19c : There is a significant relationship between response of account holders and overall satisfaction.

H19d : There is a significant relationship between present condition of job and overall satisfaction.

H19a : There is a significant relationship between working environment and overall satisfaction.

Table No. 62
Cross tabulation

For Andhra Bank and SBI			Overall Satisfaction				Total
		Highly Satisfied	Satisfied	Moderate	Dissatisfied	Highly dissatisfied	
Satisfied with the working environment	Strongly Disagree	0	14	2	5	2	23
	Disagree	0	28	0	12	16	56
	Neither agree nor disagree	0	12	2	10	2	26
	Agree	0	5	0	3	1	9
	Strongly Agree	0	0	0	0	0	0
Total		0	59	4	30	21	114

Source: Primary Data

Observations: The Table No.62 shows the cross tabulation between working environment and overall satisfaction. Surprisingly, there are no respondents who strongly agreed that they were satisfied with their working environment.

Only 9 respondents agreed that they were satisfied with the present working environment, whereas 23 respondents strongly dissatisfied and 56 respondents disagreed with the statement. Banks are not providing proper infrastructure to BCs and almost all BCs are performing their job from their houses. The electricity bill, internet bill, expenditure on repairs etc. are spent by BCs and this could be the cause of higher dissatisfaction among them.

Table No. 63
Chi-Square Test

Name of the Bank		Value	df	Asymp. Sig. (2-sided)
Andhra Bank	Pearson Chi-Square	3.524	6	.741
	N of Valid Cases	48		
SBI	Pearson Chi-Square	14.266	9	.113
	N of Valid Cases	66		
Total	Pearson Chi-Square	14.442	9	.107
	N of Valid Cases	114		

SPSS output

Observations: The Table No.63 states that neither Andhra Bank BCs nor SBI BCs are satisfied with the working environment.

The difference between the variables is considered significant only when the ‘p’ value is less than 0.05. But in none of the cases p value is less than 0.05. Hence, the hypothesis “there is a significant relationship between working environment and overall satisfaction” is rejected.

H19b: Response from Banks and overall satisfaction:

Table No. 64
Cross tabulation

For Andhra Bank and SBI							
			Overall Satisfaction				Total
		Highly Satisfied	Satisfied	Moderate	Dissatisfied	Highly dissatisfied	
Satisfied with the response from banks	Strongly Disagree	0	4	0	2	1	7
	Disagree	0	18	2	8	6	34
	Neither agree nor disagree	0	13	0	7	6	26
	Agree	0	21	2	13	4	40
	Strongly Agree	0	3	0	0	4	7
Total		0	59	4	4	30	21

Source: Primary data

Observations: The Table No.64 shows the cross tabulation between satisfaction with the response from banks and overall satisfaction. 41 respondents stated that they were dissatisfied (7+34=41) and 47 respondents (40+7=4) were satisfied with the response from banks. This illustrates the pro activeness of the banker to give proper response and inputs to the BC.

Table No. 65
Chi-Square Test

Name of the Bank		Value	df	Asymp. Sig. (2-sided)
Andhra Bank	Pearson Chi-Square	4.179	8	.841
	N of Valid Cases	48		
SBI	Pearson Chi-Square	14.749	12	.255
	N of Valid Cases	66		
Total	Pearson Chi-Square	12.539	12	.403
	N of Valid Cases	114		

SPSS output

The Table No. 65 shows the significant relationship between response of banks and overall satisfaction. The difference between the variables is considered significant only when the 'p' value is less than 0.05. But in none of the cases p value is less than 0.05. Hence, the hypothesis is rejected.

H19c: Satisfied with the responsiveness of account holders and overall satisfaction:

**Table No. 66
Cross Tabulation**

Andhra Bank and SBI							
			Overall Satisfaction				Total
		Highly Satisfied	Satisfied	Moderate	Dissatisfied	Highly dissatisfied	
Satisfied with the response from account Holders	Strongly Disagree	0	8	1	3	3	15
	Disagree	0	15	3	5	3	26
	Neither agree nor disagree	0	11	0	11	6	28
	Agree	0	20	0	9	7	36
	Strongly Agree	0	5	0	2	2	9
Total		0	59	4	30	21	114

Source: Primary data

Observations: The table no.66 shows the cross tabulation between two variables i.e. satisfaction with the response from the account holder and the overall satisfaction. A positive response from the account holder enhances the confidence and zeal to perform their duties better.

**Table No. 67
Chi-Square Test**

Name of the Bank		Value	df	Asymp. Sig. (2-sided)
Andhra Bank	Pearson Chi-Square	5.983	6	.425
	N of Valid Cases	48		
SBI	Pearson Chi-Square	5.495	12	.939
	N of Valid Cases	66		
Total	Pearson Chi-Square	12.428	12	.412
	N of Valid Cases	114		

SPSS output

The Table No.67 shows the significant relationship between satisfaction with the response from account holders and overall satisfaction. In the above case, 'p' value is more than 0.05, which shows insignificant relationship between two variables i.e satisfaction with the response of account holders and overall satisfaction. Hence, the above hypothesis is rejected.

H19d: There is a significant relationship between present condition of job and overall satisfaction.

Table No. 68
Cross tabulation

Andhra Bank and SBI							
			Overall Satisfaction				Total
		Highly Satisfied	Satisfied	Moderate	Dissatisfied	Highly dissatisfied	
satisfied with the present condition of job	Strongly Disagree	0	0	0	0	0	0
	Disagree	0	5	0	3	4	12
	Neither agree nor disagree	0	19	1	12	8	40
	Agree	0	30	3	15	9	57
	Strongly Agree	0	5	0	0	0	5
Total		0	59	4	30	21	114

Source: Primary data

Observations: The Table No.68 shows the cross tabulation between two variables i.e. satisfaction with the present condition of job and overall satisfaction. The present condition of job may include provision of infrastructure facilities, overall response from banker as well as from villagers, remuneration, commission etc.

Table No. 69
Chi-Square Test

Name of the Bank		Value	df	Asymp. Sig. (2-sided)
Andhra Bank	Pearson Chi-Square	1.664	4	.797
	N of Valid Cases	48		
SBI	Pearson Chi-Square	9.605	9	.383
	N of Valid Cases	66		
Total	Pearson Chi-Square	8.014	9	.533
	N of Valid Cases	114		

SPSS output

The Table No. 69 shows the significant relationship between satisfaction with the present condition of job and overall satisfaction. In the above case, 'p' value is more than 0.05, which shows insignificant relationship between two variables i.e satisfaction with the present condition of job and overall satisfaction. Hence, the above hypothesis is rejected.

6.9 Result of Analysis

	Name of the Bank	Result(<0.05)	Accept/Reject
H19a: There is a significant relationship between working environment and an overall satisfaction.	Andhra Bank	P=0.031	Reject the hypothesis
	SBI	P=0.785	
	Total	P=0.558	
H19b: There is a significant relationship between response from banks and an overall satisfaction.	Andhra Bank	P=0.841	Reject the hypothesis
	SBI	P=0.255	
	Total	P=0.403	
H19c: There is a significant relationship between response of account holders and an overall satisfaction.	Andhra Bank	P=0.425	Reject the hypothesis
	SBI	P=0.939	
	Total	P=0.412	
H19d: There is a significant relationship between present condition of job and an overall satisfaction.	Andhra Bank	P=0.797	Reject the hypothesis
	SBI	P=0.383	
	Total	P=0.533	

In all the above cases, there is no significant relationship between financial factors and satisfactory factors. It is because around 50% of BCs are dissatisfied with the present condition of model.

6.10. Conclusion:

As said by C.K Prahlad (2006), Management Guru, there is fortune at the bottom of the pyramid and access to bottom of the pyramid market is not necessarily difficult if proper initiatives and measures are taken. Financial Inclusion if understood and applied in the right perspective can make a strong, profitable business proposition. This is so because pyramid is wider at the bottom. Financial inclusion is the strong preventive as well as curative against the ill effects of financial instability and economic recession. Among various models of Financial Inclusion delivery channels, Business Correspondent Model is proved as successful tool to bring the Financial Inclusion.

The Business Correspondent is the most important stakeholder of Financial Inclusion. But today, many of the educated youth employed as BCs became impatient and frustrated. Further, there was clear indication that the scheme is yet to reach an inflection point. The BC, as a system, has shown signs of stress and strain in many places. All the causes for dissatisfaction are only financial factors. Therefore, RBI and other Banks have to focus from the economic and financial perspective.

CHAPTER VII

SUMMARY, SUGGESTIONS AND CONCLUSIONS

Business Correspondent Model is an innovative and organized business model which is functioning since 2006. The entire dissertation proves that BC model is effective, successful, constructive and helpful to the rural populace from many angles. Financial Inclusion is a continuous process where various stakeholders like GOI, RBI, Banks, Service Provider, Technology Provider, Business Correspondents and Account Holders are directly involved. Among all, BCs and Account Holders were regularly in touch and therefore, this report made an attempt to study from the angle of Account holder as well as Business Correspondents.

Commercial Banks have a large outreach, and the role of Commercial Banks in sustainable development is linked to increased savings mobilization and credit provision in rural areas which allows rural households to accumulate capital and investments. Undoubtedly, the participation of Commercial Banks in FIP is not only a necessity but also an obligation.

Though, a lot is required to improve the scope of Business models, BC model enhances the quality and effectiveness of financial inclusion. In this context, the study tried to analyse the perception and satisfaction levels of the Account Holders and BCs.

Findings and Suggestions

From the Account Holders Perspective:

85.8% respondents fall in the age limit of 21-50yrs. Only 14.2% respondents are in the age limit of above 50. This segment of people should be encouraged to make savings and investments and appropriate advances can be provided to the eligible persons which can be used for productive and purposeful activities. It is also observed that

50.9% of respondents are agri labourers and 33.7% are farmers having own farm land. It has been noted that the deposits are not regular as the respondents are based on seasonal employment. Hence, it is the duty of BC to motivate agriculturists to save and invest the money when their returns are high. It is also observed that 19.5% of respondents are having Primary education, 17.8% are having Secondary education, 6.4% are Graduates and 2% are Post Graduates. It is surprised to notice that 54% of the respondents are illiterates. These statistics emphasise the need to focus on education and urgency for implementation of various policies to bring education inclusion. It is also suggested to use voice Messages to make the communication more effective and understandable.

98.2% respondents are having own residence and only 1.8% are living in rented dwelling. This indicates that people in villages mostly live in own residence irrespective of residential structure. 71.9% respondents have the tiled house structure of residence. Therefore, it is to understand that people can be given more loans against property where BCs may be given the responsibility of recovery. 73.3% of respondent's family income is below Rs.4,000. Hence, measures have to be taken to improve the income of the rural populace.

45.4% of the respondents felt that their main means of borrowing is bank. But 41.7% respondents still depended on indigenous money lenders. In spite of many initiatives by banks, most of the rural populace still depend on the unorganised financial sector. The reasons could be, easy availability of hand loans, mortgage loans, loans against gold etc. Therefore, banks have to focus on the disbursement of credit through BC. 68.6% respondents stated that though they have been given KCC/GCC, they were expecting loans. It is observed that people have to travel at least 15 to 20 kms. to operate the credit cards. Hence, they were expecting advances through BC mainly to avoid operating time, travelling time and transport cost. 92% respondents opined that BC

model helps to reduce the dependency on money lenders and 8% respondents did not accept the same. Surprisingly, 41.7% depended on indigenous financial system.

98.3% respondents stated that they were interested in Micro Insurance and 71.6% stated that their affordable amount is Rs.200 – Rs.300. It has been observed that around 70% respondents do not have knowledge on basic financial products, and therefore, there is an urgency and necessity to hasten the financial literacy programmes. Without financial literacy, the financial infrastructure created with a lot of effort and pain would remain grossly under used and might result in huge wastage of scarce resources.

It is observed that BC is the key person to motivate the account holder to open an account, to make savings, to keep account active and to make investments in the insurance products. Therefore, Business Correspondents must encourage the account holders to use savings in case of emergency, damage of crop, child education/ marriage etc. BCs must also take care that they get more deposits at the time of sale of crop.

99.7% of the respondents were satisfied with the BC model and its working process. They accepted that the model is satisfactory and around 551 respondents stated that the choice of BC model is reliable.

From the Business Correspondents Perspective:

71.9% BCs are in the age group of 21-40yrs. It can be assumed that the candidates who were appointed as BCs are young and have more zeal to work efficiently. 56% respondents were graduates and it can be assumed that BCs are well educated to deliver the banking products and services to the end user effectively. It is also observed that 71.9% respondents were men and the rest were women. The SHG – linkage program proved that women are successful financial managers and therefore women should be given more priority while recruiting BCs.

It is observed that there is a need for an increase in the deposit limit as well as withdrawal. BCs were ready to handle loans and to take up the responsibility of

recovery. They have been expecting few more financial literacy training programmes by banks.

It is observed that BCs were receiving their salary as well as their commission on time but the amount did not meet their regular needs. It is suggested to assure a good amount of remuneration to the BCs until a breakeven is reached. BCs are dissatisfied with the working environment and the present condition of job. The reasons could be lack of separate offices (CSP) and not reimbursing the expenses like Internet bill, Telephone Bill, Electricity etc. They were also dissatisfied with the response of the banker.

It is also observed that the branches as well as the Regional Branch Office (RBO) were not co-operating BCs as the link branches take a lot of time (mostly in between 10 to 30 days) to authorise opening of accounts created by the CSPs. BCs should be linked to such a channel which immediately takes up the matters. The concerned person's name of FIP and address, phone and email address may be made available to the BC. Adequate stationery viz. account opening forms, etc. should be supplied by the RBO sufficiently. BCs have to shuttle between their office and RBO causing loss of money and time.

B.Cs settlement account (current account) and Commission account (Savings Bank Account) balance enquiry may be made visible to BC. In case of Kiosk accounts- if a person deposits any amount from another branch to kiosk accounts, and wants to confirm telephonically, BCs are unable to tell him/her the correct balance / position. This provision may be made for kiosk banking in the interest of the public as well as BC and the Bank. The circulars/instructions issued by banks may be provided to BCs. directly through email to avoid delay.

Banks and BCs can use media to penetrate the banking services. Advertisements in local cable T.Vs may attract potential account holders. Customer awareness programmes should be hastened. SHG model has proved that women can be more

participative in financial and developmental programmes. Hence, women should be given more priority to work as BCs.

Analysis of factors to join as BC helped in understanding the expectations of BC. Their main expectations are to get employment and improve the financial condition of their family. But it is found insignificant in both the banks. All the financial factors and non-financial factors are not significant to the overall satisfaction. Low income, no proper CSP point, no proper response from banker as well as customer etc are the main reasons for having dissatisfaction among the BCs. As income (Salary and commission) is less than the expenditure of the individual BC, T.A and D.A should be paid by the banker. Banker's visit is needed to the respective places at least once a month. It is also observed that there is no proper motivation from bankers.

As per the Bank instructions, any minor aged 10 years old can open a SB A/c and operate it. But in the present Kiosk Banking system, it is not possible in the case of a minor less than 18 years old to open an account. If this software is updated in present Kiosk System, most of the students studying in high school or intermediate colleges can receive scholarships through the Kiosk Banking system. This can also augment the volume of transactions.

Banks:

The most serious challenge the BC system faced was its commercial viability. Though SSPs and MGNREGS payments generate income, RBI is not considering these programmes while allotting the villages under FII. BCs felt that the most of the private banks have been allotted with EBTs which have regular income and the Public Sector banks have been allotted only with Savings accounts.

Common service point linked with the LICs, Crop Loans, Electricity bills, Water bills etc. to be established by providing proper security to the CSP. Presently, there is a possibility of depositing and withdrawing the amount on the same day. But it is

suggested that there should be a binding of withdrawing the amount only after a day of deposit. These steps can improve the volume of transactions. The customers are willing to open joint account, but there is no provision in the present software. Resultantly, some of them are not interested in opening individual accounts. Apart from the joint account, banks have to explore the possibility of issuing multipurpose cards which could function as debit cards, KCC and GCC as per the requirements in rural areas.

Performance of each CSP should be measured and the best CSP should be well rewarded as a token of appreciation. This increases the sound competition among the BCs.

Conclusion:

Financial inclusion, which is meant for empowerment of poor, is a continuous process. It is a vast project which requires concerted and team efforts, passionate involvement, dedication and commitment from all the stakeholders like Government, financial institutions, the regulators, the private sector and the community at large.

The role of Business Correspondent model in the whole scenario cannot be undermined. It has to be admitted that today a Business Correspondent plays a vital role in bringing about integration in society of all social and economic classes. Undoubtedly, BC model enhances the quality and effectiveness of financial inclusion through their accessibility and appropriateness,, and penetrates the social fabric of the village. This is the time to think from the perspective of Business Correspondent and to take necessary steps to enhance their satisfaction.

As said by C.K Prahlad (2006), Management Guru, there is a Fortune at the Bottom of the Pyramid and access to bottom of the pyramid market is not necessarily difficult if proper initiatives and measures are taken. Financial Inclusion if understood and applied in the right perspective can make a strong, profitable business proposition. This is so because pyramid is wider at the bottom. Financial inclusion is the strong preventive as

well as curative against the ill effects of financial instability and economic recession. Among various models of Financial Inclusion delivery channels, Business Correspondent Model is proved as successful tool to bring the Financial Inclusion.

Scope for Further Research: In financial inclusion, there are a few potentially interesting areas for future research.

- Finding out the most appropriate delivery model (which banks are still trying to figure out) for different geographical regions deserves an exploration.
- The unbanked segments- be it in rural, urban or metropolitan areas are largely served by the un-organized sector even today. Research into the products, practices and procedures of this unorganized sector is an absolute imperative. This could open up valuable leads for the organized sector – banks and financial institutions to follow.
- Further, in order to measure the intensity of money lenders especially in rural areas, research agencies should, inter alia, conduct a census of money lenders in rural India.

REFERENCES & BIBLIOGRAPHY

- Al-Hawari, M., Hartley, N., and Ward, T. (2005). *Measuring Banks' Automated Service Quality: A Confirmatory Factor Analysis Approach*. Marketing Bulletin, 16, 1-3.
- Ali, I. and Hwa Son, H. (2007). 'Measuring Inclusive Growth', *Asian Development Review*, 24, 11-31.
- Ali, I. (2007). 'Inequality and the Imperative for Inclusive Growth in Asia', *Asian Development Review*, 24, 1–16.
- Amol Agarwal. (2008). "The need for Financial Inclusion with an Indian Perspective", report by IDBI, 12, 6-12.
- Beck, T., Demirgüç-Kunt, A. and Honohan, P. (2009). "Access to Financial Services: Measurement, Impact, and Policies", *The World Bank Research Observer*, 24, 119-145.
- Birdsall, N.(2007). "Reflections on the Macro Foundations of the Middle Class in the Developing World", Centre for Global Development, Working Paper, 4, 130.
- Bolt and Richard, (2004). "Accelerating Agriculture and Rural Development for Inclusive Growth", *Journal - Policy Implications for Developing Asia*", 29, 18-33
- Chakrabarty K C, (2010). "Inclusive growth – role of financial sector". RBI Bulletin, 1144-1148.
- Chakrabarty K.C, (2009). "Banking: Key Driver for Inclusive Growth", RBI Monthly Bulletin, September 2009, pp. 1479-1486.

- CGAP working Paper (2006). *“Business Correspondents and Facilitators – Pathway to financial inclusion”*, 4, 1-5.
- Dr.Karmakar K.G, (2008). “Financial Inclusion: Branchless Banking and Beyond”. NABARD report, 115-119.
- Dr. Vijay Kelkar, (2008). *“Key Driver for Financial Inclusion”*, RBI Monthly Bulletin.
- Dr. Mary Jessica. V. (2012). *“Innovation Management for Inclusive Growth in India”*, Journal of Advances in Management, 5(8), 21-27.
- Dr. Rangarajan Committee, (2008). “Report of the Committee on Financial Inclusion - Government of India”. 11 -14, 163-165.
- Duvvuri Subba Rao, (2009), *“Financial Inclusion: Challenges and Opportunities”*, RBI monthly Bulletin, 540 – 555.
- Gokarn, Subir (2010). *“People, Jobs and Productivity: The ‘Simple’ Dynamics of Inclusive Growth”*, National Conference Proceedings of Dynamics of Inclusive Growth, 15-25.
- Government of India (2006). *“Towards Faster and More Inclusive Growth: An Approach to the 11th Five Year Plan”*, Planning Commission, 1-10.
- Higgins, K. and Prowse, S., (2010). *“Trade, Growth and Poverty: Making Aid for Trade Work for Inclusive Growth and Poverty Reduction”*, Working Paper, 313, 150-225.
- Ibeachu E Henry (2010), Leeds Metropolitan University, *“A Comparative Analysis of Financial Inclusion: A Study of Nigeria and the UK”*, Reviews, by Leeds University, 3(1), 12.

- Joseph Massey. (2010). *“Role of Financial Institutions in Financial Inclusion”*, FICCI’s Banking & Finance Journal, 17, 16-30.
- Kempson, E. and Whyley C. (1999). *“Understanding and combating financial exclusion” Journal of Insurance Trends*”, 21, 18-22.
- Kempson, E (2006). *“Policy Level Response to Financial Exclusion in Developed Economies: Lessons from Developing Countries - A Paper for Access to Finance*, Journal of Personal Finance Research Centre, University of Bristol.5(1), 4-8.
- Kendall, J., Mylenko, N., and Ponce, A. (2010). *“Measuring Financial Access around the World”*, Policy Research Working Paper. 52, 37-53.
- Leyshon A. and Thrift N. (1995). *“Geographies of Financial Exclusion: Financial Abandonment in Britain and the United States”*, Transactions of the Institute of British Geographers, New Series Publications, 20(3), 312-41.
- Mahendra Dev, (2010). *“Inclusive growth in India: Agriculture, poverty and human development “*, Book Published by Oxford University Press, 4,114-120. ISBN: 9780198069119
- Mandira Sarma and Jesim Pais. (2008). *“Financial Inclusion and Development: A Cross Country Analysis”*, Reviews in Indian Council for Research on International Economic Relations, 1-28.
- McKay, A. (2008). *“Economic Growth, Inequality and Poverty Reduction: Does Pro-Poor Growth Matter?”*, Journal on “A Financial Focus”. 6, 222-240.
- Mendoza, R. U. and Thelen, N.(2008). *“Innovations to Make Markets More Inclusive for the Poor”*, Development Policy Review, 26(4), 427-458.

- Michael Chibba. 2009, “*Financial Inclusion, Poverty Reduction and the millennium Development Goals*”, European Journal of Development Research 21(2), 55-70.
- Minakshi Ramji, (2009). “*Financial Inclusion in Gulbarga: Finding Usage in Access*”, Institute for Financial Management and Research Centre for Micro Finance, Centre for Micro Finance, Working Paper Series,26, 140-148.
- Natu, A. J. et al. (2008). “*Linking Financial Inclusion with Social Security Schemes*”, Working Paper Series, 22, 42-44.
- Oya Pinar Ardic Maximilien Heimann Nataliya Mylenko. (2011). “*Access to Financial Services and the Financial Inclusion Agenda around the World*” - A World Bank report, 1-17.
- Rajalaxmi Kamath, (2007). “*Financial Inclusion vis-a vis Social Banking,*” Economic and political Weekly, 6-8.
- Ramesh. S and Preeti Sahai (2009). “*Universal Financial Inclusion in India: The way forward*”, International Initiatives, A report by BASIX, 6(1), 14-20.
- Rauniyar, G. and Kanbur, R. (2009). “*Inclusive Growth and Inclusive Development*”, A Review and Synthesis of Asian Development Bank Literature”, 6 (1), 320-335.
- Ravallion, M. and S. Chen (2003). “*Measuring pro-poor growth.*” Economics Letters 78, 93-99.
- Report of Commissioned by Bill and Melinda Gates Foundation (CBMGF) on “*Agency Network Management: Feasibility of Engaging Corporate Retail Networks As Business Correspondents of Banks – A Study*”, 2, 180-230.

- Sa-dhan,(2010), The Association of Community Development Finance Institutions: “*Financial Inclusion : A Study on the efficiency of banking correspondent model*”, Annual Review, 25 -90.
- Shyamlal Gopinath, Vittal, N (2006): “*The Inclusive Mantra*”, Reviews in Mumbai Mirror, 31.
- Sinclair S. P. (2001). “*Financial exclusion: An introductory survey*”. Report of Centre for Research in Socially Inclusive Services, Heriot-Watt University, Edinburgh, 445-450.
- SLBC of Andhra Pradesh – 181st agenda, 14, 182nd Agenda, 64 -66, 183rd Agenda, 55.
- United Nations Development Programme, (2008). “*A million dollar question: what is inclusive growth?*” Report by the UNDP Learning Resource Centre, Poverty Reduction News Update, 13, 51-60.
- Usha Thorat, (2007). “Financial Inclusion – a key Drive” 8th Annual IIEF Retirement Policy Conclave, Proceedings 1, 15-22.
- Vittal, N (2007). “*The Inclusive Mantra*”, Mumbai Mirror, 31.
- Wallace, A, and Quilgars, D. (2005). “*Homeless and Financial Exclusion*”, A Literature Review, Centre for Housing Policy, University of York. 13-14.
- World Bank (2006). “India Inclusive Growth and Service Delivery: Building on India’s Success”, Development Policy Review, Report No.34580, 1121-1128.

b. Websites:

1. www.nabard.org
2. www.rbi.org.in
3. www.business-standard.com
4. www.egovonline.ne
5. www.mit.gov.in
6. www.nisg.org
7. www.knowledgecommission.gov.in
8. www.unesco.org

ANNEXURES

SLBC OF A.P		CONVENOR: SLBC OF A.P				
LBS-MIS-V						
Statement showing Yearly target for current year and progress made every quarter -September 2013						
			Consolidation Public sector banks			
SR	Particulars		Position as at the end of previous year	Target-Current Year ending	Position as at the end of quarter 1	Position as at the end of quarter 2
1	Total No. of Branches		5897	6416	5948	6122
2	Out of 1 above, No. of Rural Branches		1959	2081	2001	2029
3	No. of branches in unbanked villages		238	275	229	249
4	Total No. of CSPs Deployed		13734	18883	17215	17664
5		Through Branches	1813	1963	1846	1864
6	No. of banking outlets in villages with population > 2000	Through BCs	9490	9507	9497	9516
7		Through Other Modes	208	106	82	37
8		Sub Total : > 2000	11511	11576	11419	11417
9	No. of banking outlets in villages with population < 2000	Through Branches	149	125	157	165
10		Through BCs	8985	12235	9872	9957
11		Through Other Modes	0	3	0	0
12		Sub Total : < 2000	9134	12363	9999	10122
13	Total Banking Outlets in all villages		20641	23935	21448	21539
14	No. of BC outlets in Urban Locations		255	335	237	322
15	Basic Savings Bank Deposit Accounts (BSBDAs) through	No. in Actuals	3935165	5476879	4300123	4757417
16		Amt. ₹ In Thousands	44470379	6380821	48897377	55115275
17	Basic Savings Bank Deposit Accounts (BSBDAs) outstanding	No. in Actuals	8827617	8898395	12876705	13309289
18		Amt. ₹ In Thousands	141059451	1954199	165639525	215800876
19	Basic Savings Bank Deposit Accounts (BSBDAs) (Bank as a	No. in Actuals	12144492	14375274	17576452	18076407
20		Amt. ₹ In Thousands	185529829	8252929	218082366	271282468
21	OD facility availed in BSBDAs	No. in Actuals	29731	227919	57129	74821
22		Amt. ₹ In Thousands	4613149	145532	5283450	5311553
23	KCCs outstanding - through Branches	No. in Actuals	3328012	2982163	3526463	3725629
24		Amt. ₹ In Thousands	9532073625	219798237	9575782721	10289058749
25	KCCs outstanding - through BCs	No. in Actuals	49212	132005	8828	15468
26		Amt. ₹ In Thousands	1855112	2307659	240922	328635
27	KCCs-Total (Bank as a whole)	No. in Actuals	3377560	3085671	3520535	3741097
28		Amt. ₹ In Thousands	9536285918	222105897	9576140695	10289387384
29	GCCs outstanding through Branches	No. in Actuals	84323	157430	147287	149694
30		Amt. ₹ In Thousands	5447988	2739503	1303469481	1360168092
31	GCCs outstanding through BCs	No. in Actuals	7820	54814	7540	7960
32		Amt. ₹ In Thousands	133295	612556	108196	115039
33	GCC-Total (Bank as a whole)	No. in Actuals	92229	212205	154803	157654
34		Amt. ₹ In Thousands	5581284	3351258	1303572173	1360283131
35	Transactions in BC-ICT Accounts (during the Quarter)	Savings Deposit (No. in Actuals)	2961774	16185797	1486678	2185627
36		Savings Deposit (Amt. ₹ In thousands)	21473918	6650124	10605435	11907033
37		Credit/OD (No. in Actuals)	21809	637950	8449	11940
38		Credit/OD (Amt. ₹ In Thousands)	22952	1377392	28526	18667
39		Term Dep./RD (No. in Actuals)	4709	71437	5068	13562
40		Term Dep./RD (Amt. ₹ In Thousands)	5467	47017	5062	15092
41		EBT/Remittance (No. in Actuals)	25880984	64407100	9001775	4501102
42		EBT/Remittance (Amt. ₹ In Thousands)	148592578	22148030	15814745	5340393
43		Others (No. in Actuals)	24465	126040	5567	8799
44			Others (Amt. ₹ In Thousands)	131028	15424	9592
45	Total of Transactions in BC-ICT Accounts	No. in Actuals	28905246	81428423	10529151	6747856
46		Amt. ₹ In Thousands	170229705	30367989	26483117	17304142

SLBC OF A.P			CONVENOR: SLBC OF A.P			
LBS-MIS-V						
Statement showing Yearly target for current year and progress made every quarter -September 2013						
			Consolidation Private Sector Bank			
SR	Particulars		Position as at the end of previous year	Target-Current Year ending	Position as at the end of quarter 1	Position as at the end of quarter 2
1	Total No. of Branches		377	392	378	378
2	Out of 1 above, No. of Rural Branches		82	86	82	82
3	No. of branches in unbanked villages		42	46	42	42
4	Total No. of CSPs Deployed		182	196	175	177
5		Through Branches	78	82	78	78
6	No. of banking outlets in villages with population > 2000	Through BCs	99	104	99	99
7		Through Other Modes	0	8	8	8
8		Sub Total : > 2000	176	194	182	185
9		Through Branches	4	4	4	4
10	No. of banking outlets in villages with population < 2000	Through BCs	88	97	92	96
11		Through Other Modes	0	2	0	0
12		Sub Total : < 2000	92	104	96	100
13	Total Banking Outlets in all villages		268	298	280	285
14	No. of BC outlets in Urban Locations		0	0	0	0
15	Basic Savings Bank Deposit	No. in Actuals	137020	146323	129544	132939
16	Accounts (BSBDAs) through	Amt. ₹In Thousands	352501	374264	280317	289603
17	Basic Savings Bank Deposit	No. in Actuals	122520	34638	125126	132700
18	Accounts (BSBDAs) outstanding	Amt. ₹In Thousands	8644	12745	5621	4356
19	Basic Savings Bank Deposit	No. in Actuals	259540	180961	254670	265677
20	Accounts (BSBDAs) (Bank as a	Amt. ₹In Thousands	361145	387009	285937	293960
21	OD facility availed in BSBDAs	No. in Actuals	193	10048	227	214
22		Amt. ₹In Thousands	97	4391	7494	667
23	KCCs outstanding - through	No. in Actuals	33805	35207	57088	57821
24	Branches	Amt. ₹In Thousands	1327330	1387436	4074727	4207632
25	KCCs outstanding - through BCs	No. in Actuals	0	274	0	0
26		Amt. ₹In Thousands	0	10090	0	0
27	KCCs-Total (Bank as a whole)	No. in Actuals	33805	35481	57088	57821
28		Amt. ₹In Thousands	1327330	1397526	4074727	4207632
29	GCCs outstanding through	No. in Actuals	115	851	30	30
30	Branches	Amt. ₹In Thousands	1460	11941	159	198
31	GCCs outstanding through BCs	No. in Actuals	0	165	0	0
32		Amt. ₹In Thousands	0	2475	0	0
33	GCC-Total (Bank as a whole)	No. in Actuals	115	1016	30	30
34		Amt. ₹In Thousands	1460	14416	159	198
35		Savings Deposit (No. in Actuals)	1431	14126	3554	2518
36		Savings Deposit (Amt. ₹In thousands)	97677	4596	513	497
37		Credit/OD (No. in Actuals)	0	3247	0	19
38		Credit/OD (Amt. ₹In Thousands)	0	1624	0	9
39	Transactions in BC-ICT Accounts (during the Quarter)	Term Dep./RD (No. in Actuals)	0	812	0	0
40		Term Dep./RD (Amt. ₹In Thousands)	0	8118	0	0
41		EBT/Remittance (No. in Actuals)	4445	3568	10519	73
42		EBT/Remittance (Amt. ₹In Thousands)	1922	1844	5190	73
43		Others (No. in Actuals)	0	0	0	0
44		Others (Amt. ₹In Thousands)	0	0	0	0
45	Total of Transactions in BC-ICT	No. in Actuals	5876	21753	14073	2610
46	Accounts	Amt. ₹In Thousands	99599	16180	5703	579

SLBC OF A.P			CONVENOR: SLBC OF A.P			
LBS-MIS-V						
Statement showing Yearly target for current year and progress made every quarter -September 2013						
			Consolidation RRBs			
SR	Particulars		Position as at the end of previous year	Target-Current Year ending	Position as at the end of quarter 1	Position as at the end of quarter 2
1	Total No. of Branches		1630	1755	1631	1638
2	Out of 1 above, No. of Rural Branches		1140	1206	1142	1144
3	No. of branches in unbanked villages		184	239	185	187
4	Total No. of CSPs Deployed		3743	4858	3756	3762
5		Through Branches	1080	1134	1081	1081
6	No. of banking outlets in villages with population > 2000	Through BCs	1879	1875	1876	1876
7		Through Other Modes	0	0	0	0
8		Sub Total : > 2000	2959	3009	2957	2957
9		Through Branches	60	72	63	63
10	No. of banking outlets in villages with population < 2000	Through BCs	1864	4362	1977	2006
11		Through Other Modes	0	20	0	0
12		Sub Total : < 2000	1924	4454	2040	2069
13	Total Banking Outlets in all villages		4883	7463	4997	5026
14	No. of BC outlets in Urban Locations		0	64	64	0
15	Basic Savings Bank Deposit	No. in Actuals	1619551	1425650	1675605	1807484
16	Accounts (BSBDAs) through	Amt. ₹In Thousands	2683580	2345800	2697070	3031816
17	Basic Savings Bank Deposit	No. in Actuals	2451358	3544350	2530677	3160268
18	Accounts (BSBDAs) outstanding	Amt. ₹In Thousands	329941	846850	300088	292793
19	Basic Savings Bank Deposit	No. in Actuals	4070909	4971000	4206282	4967752
20	Accounts (BSBDAs) (Bank as a	Amt. ₹In Thousands	3013521	3192650	2997158	3324609
21	OD facility availed in BSBDAs	No. in Actuals	100352	161000	107915	108184
22		Amt. ₹In Thousands	3223	259000	4912	4330
23	KCCs outstanding - through	No. in Actuals	1585617	1699531	1536047	1535146
24	Branches	Amt. ₹In Thousands	67211395	70203510	68622387	74117966
25	KCCs outstanding - through BCs	No. in Actuals	7203	84375	7206	10465
26		Amt. ₹In Thousands	107953	494200	109531	293020
27	KCCs-Total (Bank as a whole)	No. in Actuals	1592820	1783906	1543253	1545611
28		Amt. ₹In Thousands	67319348	70697710	68731918	74410986
29	GCCs outstanding through	No. in Actuals	39864	30010	35534	35221
30	Branches	Amt. ₹In Thousands	701361	597000	1993109	693024
31	GCCs outstanding through BCs	No. in Actuals	239	16270	249	208
32		Amt. ₹In Thousands	4835	238800	4731	4045
33	GCC-Total (Bank as a whole)	No. in Actuals	40103	46280	35783	35429
34		Amt. ₹In Thousands	706196	835800	1997840	697069
35	Transactions in BC-ICT Accounts (during the Quarter)	Savings Deposit (No. in Actuals)	989140	10523600	236691	232054
36		Savings Deposit (Amt. ₹In thousands)	68531	2042720	744413	44709
37		Credit/OD (No. in Actuals)	0	103800	0	182
38		Credit/OD (Amt. ₹In Thousands)	0	319620	0	63
39		Term Dep./RD (No. in Actuals)	13452	31000	8236	9978
40		Term Dep./RD (Amt. ₹In Thousands)	2882	32858	1919	2521
41		EBT/Remittance (No. in Actuals)	14818000	20070000	3105056	1766493
42		EBT/Remittance (Amt. ₹In Thousands)	4465900	5700000	1198400	626152
43		Others (No. in Actuals)	0	0	0	0
44		Others (Amt. ₹In Thousands)	0	0	0	0
45	Total of Transactions in BC-ICT	No. in Actuals	15820592	30668400	3349983	2008707
46	Accounts	Amt. ₹In Thousands	4537313	8035198	1944732	673446

SLBC OF A.P			CONVENOR: SLBC OF A.P			
LBS-MIS-V						
Statement showing Yearly target for current year and progress made every quarter -September 2013						
			Consolidation of ALL Bank			
SR	Particulars		Position as at the end of previous year	Target-Current Year ending	Position as at the end of quarter 1	Position as at the end of quarter 2
1	Total No. of Branches		7904	8563	7957	8138
2	Out of 1 above, No. of Rural Branches		3181	3373	3225	3255
3	No. of branches in unbanked villages		464	560	456	478
4	Total No. of CSPs Deployed		17659	23937	21146	21603
5	No. of banking outlets in villages with population > 2000	Through Branches	2971	3179	3005	3023
6		Through BCs	11468	11486	11472	11491
7		Through Other Modes	208	114	90	45
8		Sub Total : > 2000	14646	14779	14558	14559
9	No. of banking outlets in villages with population < 2000	Through Branches	213	201	224	232
10		Through BCs	10937	16694	11941	12059
11		Through Other Modes	0	25	0	0
12		Sub Total : < 2000	11150	16921	12135	12291
13	Total Banking Outlets in all villages		25792	31696	26725	26850
14	No. of BC outlets in Urban Locations		255	399	301	322
15	Basic Savings Bank Deposit Accounts (BSBDAs) through	No. in Actuals	5691736	7048852	6105272	6697840
16	Basic Savings Bank Deposit Accounts (BSBDAs) outstanding	Amt. ₹In Thousands	47506460	9100884	51874764	58436693
17	Basic Savings Bank Deposit Accounts (BSBDAs) outstanding	No. in Actuals	11401495	12477383	15532508	16602257
18	Basic Savings Bank Deposit Accounts (BSBDAs) outstanding	Amt. ₹In Thousands	141398036	2813794	165945234	216098025
19	Basic Savings Bank Deposit Accounts (BSBDAs) (Bank as a	No. in Actuals	16474941	19527235	22037404	23309836
20	OD facility availed in BSBDAs	Amt. ₹In Thousands	188904495	11832588	221365461	274901037
21	KCCs outstanding - through Branches	No. in Actuals	130276	398967	165271	183219
22		Amt. ₹In Thousands	4616469	408924	5295856	5316550
23	KCCs outstanding - through BCs	No. in Actuals	4947434	4716901	5119598	5318596
24		Amt. ₹In Thousands	9600612350	291389183	9648479835	10367384347
25	KCCs Total (Bank as a whole)	No. in Actuals	56415	216654	16034	25933
26		Amt. ₹In Thousands	1963065	2811949	350453	621655
27	GCCs outstanding through Branches	No. in Actuals	5004185	4905058	5120876	5344529
28		Amt. ₹In Thousands	9604932595	294201133	9648947340	10368006002
29	GCCs outstanding through BCs	No. in Actuals	124302	188291	182851	184945
30		Amt. ₹In Thousands	6150809	3348444	1305462749	1360861314
31	GCC Total (Bank as a whole)	No. in Actuals	8059	71249	7789	8168
32		Amt. ₹In Thousands	138130	853831	112927	119084
33	Savings Deposit (No. in Actuals)	No. in Actuals	132447	259501	190616	193113
34		Amt. ₹In Thousands	6288940	4201474	1305570172	1360980398
35	Savings Deposit (Amt. ₹In thousands)	No. in Actuals	3952345	26723523	1726923	2420199
36		Amt. ₹In Thousands	21640127	8697440	11350361	11952239
37	Credit/OD (No. in Actuals)	No. in Actuals	21809	744997	8449	12141
38		Amt. ₹In Thousands	22952	1698636	28526	18740
39	Term Dep./RD (No. in Actuals)	No. in Actuals	18161	103249	13304	23540
40		Amt. ₹In Thousands	8348	87993	6981	17613
41	EBT/Remittance (No. in Actuals)	No. in Actuals	40703429	84480668	12117350	6267668
42		Amt. ₹In Thousands	153060400	27849874	17018335	5966618
43	Others (No. in Actuals)	No. in Actuals	24465	126040	5567	8799
44		Amt. ₹In Thousands	131028	15424	9592	7509
45	Total of Transactions in BC-ICT Accounts	No. in Actuals	44731714	112118575	13893207	8759173
46	Accounts	Amt. ₹In Thousands	174866616	38419367	28433552	17978166

Financial Inclusion Plan - 3 years - April 2013 to March 2016

S.NO	Particular	Acheivement year ended Mar-13	Projected Acheivement year ended Mar- 14	Projected Acheivement year ended Mar- 15	Projected Acheivement year ended Mar-16
1	Total No of Branches	14,816	16,016	17,216	18,416
2	Out of 1 Above , No of rural Branches	5,686	6,006	6,326	6,646
3	No of Branches In Unbanked Villages	358	608	858	1,108
4	Total No of CSPs Deployd	38,480	41,480	43,980	46,480
5	No of Banking outlets in villages with population >2000	Through Branches	4,163	4,233	4,303
6		Through BCs	15,144	15,194	15,224
7		Through Other modes	2	2	2
8		Sub Total : > 2000	19,309	19,429	19,529
9	No of Banking outlets in villages with population ,2000	Through Branches	1,523	1,773	2,023
10		Through BCs	17,805	49,284	79,085
11		Through Other modes	0	0	0
12		Sub Total : < 2000	19,328	51,057	81,108
13	Total Banking outlets in all villages (8+12)	38,637	70,486	1,00,637	1,22,074
14	No of BC outlets in urban locations	5,629	9,029	10,029	10,829
15	Basic Savings , bank deposits accounts (BSBDAs) through branches	No. in Actual	41,00,000	42,00,000	44,00,000
16		Amt. ` In ` 000	31,70,000	32,30,000	33,50,000
17	Basic Savings , bank deposits accounts (BSBDAs) outstanding through BCs	No. in Actual	1,61,00,000	2,21,00,000	2,71,00,000
18		Amt. ` In ` 000	73,10,000	1,00,10,000	1,25,10,000
19	Basic Savings , bank deposits accounts (BSBDAs) (Bank as a whole)	No. in Actual	2,02,00,000	2,63,00,000	3,14,00,000
20		Amt. ` In ` 000	1,04,80,000	1,32,40,000	1,58,00,000
21	Od facility availed in BSBDAs	No. in Actual	400	1,50,000	3,00,000
22		Amt. ` In ` 000	2,200	1,50,000	3,00,000
23	KCCs outstanding through branches	No. in Actual	58,00,000	62,00,000	67,00,000
24		Amt. ` In ` 000	39,56,50,000	44,56,50,000	50,56,50,000
25	KCCs outstanding through BCs	No. in Actual	0	0	0
26		Amt. ` In ` 000	0	0	0
27	KCCs total (Bank as a whole)	No. in Actual	58,00,000	62,00,000	67,00,000
28		Amt. ` In ` 000	39,56,50,000	44,56,50,000	50,56,50,000
29	GCCs outstanding through branches	No. in Actual	3,12,000	4,12,000	5,62,000
30		Amt. ` In ` 000	37,10,000	42,10,000	49,60,000
31	GCCs outstanding through BCs	No. in Actual	0	0	0
32		Amt. ` In ` 000	0	0	0
33	GCCs total (Bank as a whole)	No. in Actual	3,12,000	4,12,000	5,62,000
34		Amt. ` In ` 000	37,10,000	42,10,000	49,60,000
35	Transactions in BC-ICT Accounts (during the year)	Savings Deposit (No. in Actual)	1,95,00,000	2,46,00,000	2,94,50,000
36		Savings Deposit (Amt. ` In ` 000)	5,89,90,000	6,83,50,000	7,74,50,000
37		Credit/OD (No. inActual)	0	3,00,000	4,00,000
38		Credit/OD (Amt. In ` 000)	0	6,50,000	7,40,000
39		Term Dep./RD (No. in Actual)	65,000	1,00,000	1,50,000
40		Term Dep./RD (Amt. in '000)	47,300	50,000	70,000
41		EBT/Remittance(No. in Actual)	1,94,00,000	2,50,00,000	3,00,00,000
42		EBT/Remittance(Amt. in '000)	7,12,80,000	8,09,50,000	9,17,40,000
43		Others (No. in Actual)	3,89,00,000	5,00,00,000	6,00,00,000
44		Others (Amt. in '000)	0	0	0
45	Total of Transactions in BC-ICT Accounts		0	0	0
46			13,03,20,000	15,00,00,000	17,00,00,000

Questionnaire – Schedule

1. Name of the respondent: _____
2. Bank Account/ Card Number: _____
3. Bank Name: _____ Branch _____
4. Village: _____ Mandal: _____ District: _____

I. Personal Profile:

1. 1 Age: _____
1. 21-30 2. 31-40 3. 41-50 4. 51-60 5. Above 60
- 1.2. Occupation:**
1. Ag.Labourer 2. Farmer owing land 3. Business
4. House wife 5. Others
- 1.3. Literacy:**
1. Primary 2. Secondary 3. Intermediate 4. Graduation
5. Post Graduation 6. Technical 7. Illiterate

II. Family Profile:

- 2.1. Marital Status:**
1. Married 2. Unmarried 3. Divorced
- 2.2. Residential Status:**
1. Own a house 2. Rented dwelling
- 2.3. Structure of Residence:**
1. Hut 2. Asbestos shed 3. Tiled House
4. RCC building 5. Any other
- 2.4. Family Income per month: (Including all avenues) _____**
1. Up to Rs.2,000 2. 2,000 – 3,000 3. 3,000 – 4,000
4. 4,000 – 5,000 5. More than 5,000
- 2.5. Size of the family:** Total: _____ Adult: _____ Children: _____

III. Account Profile:

- 3.1. Were you motivated to open the account through Business Correspondent?
Yes/ No
- 3.2. If yes, who motivated you to open the account through Business Correspondent?
1. BC 2.Neighbours 3.Relatives
4.Any other____Specify 5.Not Applicable (Self-Interest)
- 3.3. Status of your account with BC
1. Nil transactions – (0) 2. Low transactions (1-10 p.m)
3. Medium Transactions (11 – 20 p.m) 4. High transactions (21- 30p.m)
5. Very high transactions (Above 30)
- 3.5. **What are the factors that influence you to open an account with BC: Rank 1 – Strongly Disagree, Rank 2 – Disagree, Rank 3 – Neither agree nor disagree, Rank 4 – Agree, Rank 5 – Strongly Agree**

				RANKS				
3.5.1.	Factor 3: Service Factors	As BC is available for entire day						
3.5.2.		As minimum withdrawal and saving amount is Re.1						
3.5.3		The personnel attend patiently to your needs and respond to your queries in friendly and courteous manner						
3.5.4.	Factor 2: Reach & Availability	BC provide information about banking products						
3.5.5		To save waiting time						
3.5.6.		As it saves travelling time (Reach / Availability)						
3.5.7.	Factor 4: Supply Factors	To save transport cost (Affordability)						
3.5.8.		To save operating time (Accessibility)						
3.5.9.		As CSP is in walk able distance (Distance)						
3.5.10.	Factor 1: Demand Factors	Hoping that BC model will provide all the services of Banks						
3.5.11		As BC conducts financial literacy programmes regularly						
3.5.12		BC meets you frequently and encourages for savings						

IV. Behavioral Factors:

Savings and borrowing Behavior:

- 4.1. On an average how much do you save per month?
1. < Rs. 500 2. Rs. 500 – 1000 3. Rs 1000 – 1500
4. Rs. 1500 - 2000 5. > Rs. 2000
- 4.2. On an average how much do you withdraw per month?
1. < Rs. 500 2. Rs. 500 – 1000 3. Rs 1000 – 1500
4. Rs. 1500 - 2000 5. > Rs. 2000
- 4.3. Generally, What are the means of your borrowing?
- 1) Banks 2) Pawn broker 3) Family or friends
4) Any other source, Specify _____ 5) Never took from others
- 4.4. Generally, for what purpose?
- a. To meet agricultural needs b. To start business or expansion of business
c. For personal Use (like marriage) d. To purchase land/ livestock
e. any other reason _____
- 4.5. What is the approximate loan amount that you may need/expect?
1. Rs 2000 - 5000 2. Rs. 5000 – 10000 3. Rs 10000 – 15000
4. Rs. 15000 – 20000 5. > 20000 (Specify the range_____?)
- 4.6. Do you hold KCC and GCC? Yes () No ()
- 4.7. Do you expect loans even if KCC/GCC is given to you? Yes () No ()
- 4.7a. If yes, give the reason? _____
- 4.8. Do you think that BC model helps to reduce the dependency on Money lenders?
Yes () No ()

V. Micro Insurance Investment:

- 5.1. Are you interested in investing in Micro insurance products? Yes/No
- 5.2. What is your affordable amount on insurance?
1. 100-200 2. 200-300 3. 300-400 4. 400-500
5. Above 500_____ (pl. mention the amount) 6. Not interested
- 5.3. In which type of insurance Product you want to invest?
1. life () 2. crop ()
3. Any other () ----- Pl. Specify 4. Not interested

VI. Awareness on Financial Products and technology: Yes/No

	Item	Yes	No
6.1	Mortgage loan – from mainstream financials		
6.2	Credit card		
6.3	Debit card		
6.4	Pension fund		
6.5	Investment account, such as a unit trust		
6.6	Fixed Deposit		
6.7	Savings Bank Account		
6.8	Current account		
6.9	Insurance Products		
6.10	Micro Insurance		
6.11	No frills Account		
6.12	A microfinance loan		
6.13	Mobile phone payment account/ Mobile Banking		
6.14	Bonds		
6.15	Shares		
6.16	Internet Banking		
6.17	You know the difference between FD/SB account/CA		
6.18	You can understand the SMSs that you receive from bank		
6.19	You Know the interest rate that you receive for your deposits		
6.20	You are aware of Financial Inclusion Plan introduced by GOI		
6.21	You know how to use smart card/ online transactions		
6.22	You do agree that smart card technology/online transactions saves the time		
6.23	You feel that using smart card is more appropriate and convenient than visiting branch		

VII. Impact Assessment: Do you agree that there is an improvement in the following factors after opening the account through BC? (Rank 1 – Strongly Disagree, Rank 2 – Disagree, Rank 3 – Neither agree nor disagree, Rank 4 – Agree, Rank 5 – Strongly Agree)

		Impact after opening the a/c				
Financial Factors		1	2	3	4	5
7.1	Savings					
7.2	Investments (like in Insurance Products)					
7.3	Living Standards (Using Electrical goods, Comfort goods)					
7.4	Assets (land, live stocks, Vehicles etc)					
7.5	Business expansion					
Psychological Factors						
7.6	Self Confidence					
7.7	General Awareness					
7.8	Banking Habits					
7.9	Business/ Agricultural Skills					
Health & Education						
7.10	Health					
7.11	Nutrition					
7.12	Child Education					
Societal Factors						
7.13	Greater Social Acceptability					
7.14	Helping others					
7.15	Exposure					

8. Overall impression on BC model:

1. Very poor 2. Poor 3. Satisfactory
4. Good 5. Very Good

9. You say that your choice of BC model is reliable?

1. Strongly disagree 2. Disagree 3. Unsure
4. Agree 5. Strongly agree

10a. General problems that you are facing with BC model:

10b. Suggestions to make the BC Model more efficient and effective:

Questionnaire to Business Correspondents

I. Personal Profile:

Service Provider Name:

Bank Name:

1 Name of the Business Correspondent: _____

2. Gender: _____

3. Age: _____

1. 21-30 2. 31-40 3. 41-50 4. 51-60 5. Above 60

4. Education:

1.Primary 2.Secondary 3.Intermediate

4. Graduation 5.Post Graduation 6. Technical

5. Village: _____ Mandal _____, District _____

II. Reasons to work as Business Correspondent? Please Tick the relevant statement.

5-Strongly Agree, 4-Agree, 3-Neither agrees nor disagree, 2-Disagree, 1-Strongly disagree.

Sl. No	Statement					
3.1	You have joined as BC as you were in urge of getting into an employment					
3.2	To improve the financial condition of family					
3.3	To help the fellow villagers in providing banking services					
3.4	You were said that you will be appointing as regular banking employee in future					
3.5	You were said that you will be availing benefits on par with Bank employees					
3.6	As you were strongly motivated to work as BC					
3.7	In view of getting bank branch in this village after opening more accounts through this model					

II. Service profile

5-Strongly Agree, 4-Agree, 3-Neither agrees nor disagree, 2-Disagree, 1-Strongly disagree.

	Motivational Factors:					
41	You personally meet the individual and motivate them to open the account					
42	You motivate customers to keep the account active with regular transactions					
43	You encourage them to make regular savings					
44	You encourage them to invest in Micro insurance products					
45	You motivate them to repay the loans /Overdraft on time					
	Financial factors:					
51	You receive your remuneration on time					
52	Your remuneration is meeting the day necessities					
53	You receive your commission on time					
54	Financial conditions are improved after joining as BC					
	Satisfaction:					
61	You are satisfied with the remuneration that you are receiving presently					
62	You are satisfied with the working environment (CSP)					
63	You receive immediate response from bank to solve the operational issues					
64	You are satisfied with the response of account holders					
65	You are satisfied with the present condition of job					
	Perception:					
71	There is a need for increase in Deposit limit					
72	There is a need for increase in Withdrawal limit					
73	Ready to handle overdraft as clients are expecting					
74	Ready to handle loans					
75	You need to be more educated by the banks to compatible with the financial services					
76	You are ready to take the responsibility of recovering loans if banks provides you with					
	Responsiveness of Banks:					
81	Banks provide adequate financial literacy to BC					
82	You receive the updates of this model on time either by BC/SP					
83	Banks provides immediate funds to BC					
84	Banker meets account holders regularly and resolves their problems					
85	You receive regular training programmes by SP/Banks					
86	Your CSP records gets audited regularly					

C. Problems that normally you face while making transactions:

1. _____
2. _____
3. _____

D. Steps that you have adopted to attract potential customers:

1. _____
2. _____
3. _____

E. Suggest few changes which can make this model more effective:

1. _____
2. _____
3. _____

9.1 **Overall satisfaction being working as Business Correspondent:**

- | | | |
|---------------------|------------------------|-------------|
| 1. Highly Satisfied | 2. Satisfied | 3. Moderate |
| 4. Dissatisfied | 5. Highly dissatisfied | |