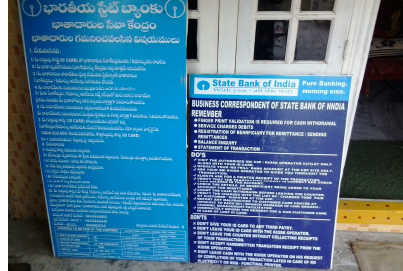


# IMPACT OF BUSINESS CORRESPONDENTS IN ANANTAPUR, KURNOOL AND NELLORE DISTRICTS OF ANDHRA PRADESH



*Study sponsored by  
National Bank for Agriculture and Rural Development  
Regional Office, Hyderabad, AP*



*Study conducted by APMAS  
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*Hyderabad*  
*Date: September 2012*

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*Director R & A*

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## Acronyms

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AP	: Andhra Pradesh
APL	: Above Poverty Line
APMAS	: Mahila Abhivrudhi Society, Andhra Pradesh
ATP	: Anantapur
BC	: Backward Classes
BC	: Business Correspondent
BF	: Business Facilitator
BPL	: Below Poverty Line
CBO	: Community Based Organization
DDM	: District Development Manager
DFID	: Department for International Development
DRDA	: District Rural Development Agency
FC	: Farmers' Club
FIP	: Financial Inclusion Programme
GP	: Gram Panchayat
HH	: Household
ICT	: Information & Communication Technology
IIMA	: Indian Institute of Management, Ahmedabad
KNL	: Kurnool
LDM	: Lead District Bank Manager
MCID	: Micro Credit Intervention Department
MFI	: Microfinance Institution
MGNREGS	: Mahatma Gandhi National Rural Employment Guarantee Scheme
Min	: Minorities
NA	: Not available
NABARD	: National Bank for Agriculture and Rural Development
NGO	: Non-Government Organization
NLR	: Nellore
NPA	: Non Performing Assets
NRLM	: National Rural Livelihood Mission
OAP	: Old Age Pension
OC	: Open Category
SB A/c	: Savings Bank Account
SBI	: State Bank of India
SC	: Scheduled Caste
SERP	: Society for Elimination of Rural Poverty
SHG	: Self Help Group
SHG BLP	: SHG Bank Linkage Programme
SHPI	: Self Help Group Promoting Institution
ST	: Scheduled Tribe
TSP	: Technology Service Providers
VO	: Village Organization

# Executive Summary

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## 1 Context and objectives of the study

1.1 Financial Inclusion Programme (FIP) is being implemented all over the country to cover the financially excluded people. Accordingly all the banks have been allocated villages having population of 2000 and above for covering under Financial Inclusion Programme by 31 March 2012. This financial inclusion campaign is named as 'Swabhimaan'. Under FIP, the banks are advised to cover all the villages allocated to them by brick and mortar branches, Business Correspondents (BCs) and by Mobile Vans. As on 30 June 2012, about 6280 business correspondents were appointed by 25 banks with the support of 22 technology service providers. In this context, NABARD has proposed a study on "The Impact of Business Correspondents in Anantapur, Kurnool and Nellore Districts of Andhra Pradesh" to suggest appropriate measure for the sustainability of BC model and to attain the broader objective of financial inclusion programme.

1.2 The objectives of the present study are as follows:

- Impact of appointment of business correspondents by the banks under financial inclusion programme (FIP).
- The coverage of clientele by the business correspondents in the identified districts.
- The parameters and incentives offered to BCs, and suggestions for the viability of business correspondents.
- Involvement of Farmers Clubs as Facilitators (BFs) and SHGs as BCs/BFs.
- Sustainability of institutional framework in Business Correspondent /Business Facilitator model on a long term basis.
- Analyse the effective financial inclusion & extent of financial inclusion achieved in quality and quantity.

1.3 Methodology- To address the above objectives, the study has covered 100 business correspondents (BCs), 195 Account holders and 15 bank branch managers, besides bank officials at district level in Anantapur, Kurnool and Nellore districts of Andhra Pradesh. Both qualitative as well as quantitative data were collected from primary and secondary sources by using structured interview schedules and checklists for interview. Fieldwork was carried out for data collection from 24<sup>th</sup> July to 9<sup>th</sup> August, 2012.

**2 Does the socioeconomic background of the BC contribute for the better performance of the BC outlet/CSP? Does the account holders are old or new clients to banks? Who are numerically dominant - men or women or children?**

2.1 Majority of the business correspondents are socially and economically affluent. Majority of the business correspondents are graduated up to college (75%), belong to backward (41%) and open categories (35%), primarily depend on agriculture (39%) and salaried jobs (23%) with a household annual income of Rs. > 0.50 lakh (94%). Bulk number of the account holders belongs to higher social strata having account in banks prior to BC model. Majority of the account holders belong to backward (54%) and open

(20%) categories, graduated between 6<sup>th</sup> and college (66%), primarily depend on agriculture (43%) and non farm activities (44%) with an average household annual income of Rs. 91941. Majority of the account holders are 10-12 months of association with banks.

2.2 Greater number of financial inclusion villages chosen for the implementation of BC models is located in a moderate distance than far off and interior. Of the 195 sample account holders' household, majority household, at least one member has savings account in the bank. The distance between the location of BC and bank varies from 0.5 km to 40 km with an average of 9.93 Kms. Majority of the BC outlets are located within a radius of 5-10 Kms (83%).

2.3 The Andhra Bank and Syndicate Bank collaborated with the technology services providers namely M/s Bartronics India Ltd, and the Indian Grameen Services (IGS) respectively. SBI has its own Financial Inclusion Cell to provide technical services to the BCs/CSPs. The TSPs of sample banks have been using different technologies to implement BC model.

### **3 What are the awareness levels of BCs and account holders on BC model? What are the strategies followed by the banks, TSPs and BCs in creating awareness among the villagers? And what are the problems in awareness creation?**

3.1 The business correspondents are more aware of account opening and collection of small value savings or deposit and withdrawal of savings than credit, insurance and remittance services. The awareness levels of BCs on BC model activities/ services in Kurnool district is high compared to Anantapur and Nellore districts. Low percentage of account holders knew about BC model services such as i) disbursement of small loans, ii) remittances, iii) micro insurance, iv) sale of third party products, etc, as most of the BC model activities of sample banks are limited to opening of accounts, promotion of savings and receipts & payments. The branch managers or the persons in-charge of financial inclusion programme and district officials reveal that most of the BCs are not fully aware of the processes, no concrete implementation plans, how to use the services of BCs to serve clients and improve bank business notably.

3.2 The participation of banks, TSPs and business correspondents in creating awareness among villagers on BC model is minimal. There is no enough backing of BCs by the banks and TSP in creating awareness. The bank and/or the TSP conducted trainings to BCs about 3 -5 days in one or two spells on CSP activities, roles and responsibilities of BCs, community mobilization, financial literacy, usage of technology devices and terms & conditions to work as BC.

3.5 About two-thirds of the sample villages, between one to four meetings were conducted since inception of the programme. However, meetings were not conducted in one-third of sample villages. The branch manager and/or the person looking after financial inclusion were not involved in significant number of BC villages (43%) for the implementation of the programme. There is no presence of TSP staff in 50% of the meetings held at village. The purpose of meetings is twofold – a) creating awareness on financial services of banks through BC model and b) introducing BC to the villagers.

3.6 The strategies followed by the BCs for creating awareness includes i) banners, ii) sign board, iii) videos, iv) pamphlets, v) paper clippings, vi) Govt. officials meetings and visits, vii) mouth canvassing through local volunteers viii) public meetings, ix) door to door campaign and x) VO meetings.

3.7 There are variety of problems and issues encountered in awareness creation relating to the attitude of villagers, support from bank and TSP, and BCs' awareness levels & capacities in community mobilization. Some of those problems are- i) no support from bankers and TSP in organizing public meeting at village, ii) regular bank branch in a vicinity, iii) social factors like castism, iv) lack of confidence/trust on BC, v) low awareness and capacities of BCs, vi) location of the BC outlet and vii) limited number of financial services through outlets/CSPs.

**4 Does CSP and BC outlet accessible to account holders? What are the problems in using various technology devices? Do the BCs getting decent honorarium & commission by generating significant volume of business or not? What is the opinion of account holders on functioning of BCs and various financial services provided through CSPs / BC outlets?**

4.1 The location and the working hours are not that accessible to majority of the account holders, due to varied factors. About 60% of the BCs have been operating from their homes and very few are running in public places (20%). The working hours of BCs and the amount of time investing are flexible. About 58 out of 100 sample BCs displayed sign boards and other material supplied by the TSP and /or bank to create awareness and to provide information to the account holders.

4.2 The TSPs of the sample banks use different technology devices –M/s Bartronics India Ltd. uses smartcards and biometric technology and the IGS/Sub-K uses mobile technology with IVRS software system; whereas SBI uses internet with biometric technology. The TSPs and banks organized 2/3 days of training to BCs, mostly at district head quarters on the usage of tool kits –computer, PoS machine, finger prints collection equipment, web camera, net connection, printing of vouchers/receipts, sending SMS, usage of smart cards etc.

All the sample banks/TSPs have provided the technology/devices/tool kit to BCs on payment of prescribed amount. Personal loans of Rs. 20,000 and Rs. 40,000 were extended by Syndicate Bank and State Bank of India, respectively to BCs, who requested for financial assistance to procure device and necessary accessories. About 64 percent of technology devices are in working condition; however, about 14 percent are working but not in use.

4.3 The amount of honorarium and commission are different from bank to bank – Andhra Bank pays Rs. 500 honorarium per month plus commission based on transactions; SBI pays Rs. 2000 per month (minimum of 25 accounts per month is mandatory to draw honorarium) plus commission based on transactions; where as IGS/Sub-K pays only commission based on the volume of transactions based on performance.



Most of the BCs are unhappy with small amount of honorarium and commission, and no or irregular payment of it. The honorarium & commission is paid on monthly (58%) basis followed by no schedule / irregular (40%). However, most of the SBI-BCs get honorarium regularly for every month (88%). The amount of total honorarium and/or commission received by the BCs, so far varies between no payments to Rs. 80,000 with an average of Rs. 13609. About 13 percent of BCs received not even a rupee, since joining. Majority of the BCs have expressed that the amount of honorarium paying at present is very small (59%) followed by small (36%).

4.4 The BCs, account holders, banks and TSPs have reported many problems about BC model. Some of them are: i) non supply of material, such as sign boards, stationary and other material for awareness creation, ii) non-payment of maintenance charges like internet, electricity, iii) technology devices on cost basis, iv) poor quality of devices and frequent repairs, v) institutional and functional linkages between bank, TSP and BC, vi) low capabilities of BCs and TSPs, vii) meager amount of honorarium and commission, viii) no handholding support to BCs from banks and TSPs, ix) turnover of staff at mandal level appointed by the TSPs.

4.5 The volume of business generated by the BCs is negligible as the kind of services provided through BC outlet/CSP is limited to deposit and withdrawal of savings. On an average, there are 1-5 receipts in a day in many outlets followed by 6-10 (15%); interestingly, about 26% of BCs reported that there is no single receipt, since inception. Majority of the BCs have reported 1-5 payments (59%) in a day. About 27% of BCs have reported not even a single payment. The cash limits for receipts and payments vary from bank to bank. The sample BCs have made a turnover of Rs. 90.17 lakh with an average of Rs. 90171, Rs. 15029 and Rs. 501 per CSP, month and day respectively. The sample A/c holders have a balance amount of Rs. 1.91 lakhs with an average of Rs. 984.

4.6 As per the opinion of the account holders, the performance of many BCs is good with reference to the observance of systems, availability and accessibility and number of complaints against BCs. About 31% of account holders have not done any transactions, since opening of the account. Of the 69% Account Holders, who have been operating their accounts, 53% of them have received vouchers. About 16% of account holders have made transactions without any voucher from BCs due to i) no electricity/power cut, ii) printer problem, iii) faith on BC, iv) busy with the work and v) not interested on receipt. Majority of the account holders have said that the BCs are 'available' and accessible (68%).

## **5 What are the risk management strategies of banks, TSPs and BCs? How far the banks, TSP and account holders following consumer protection measures, grievances and redressal mechanisms?**

5.1 The BCs are poor in maintaining and up-dation of cash book and vouchers. Majority of the BCs have been maintaining data base of the account holders (79%), cash book (58%) vouchers (45%). More or less one half of the BCs are not giving the receipts during deposit or withdrawal. Internet connectivity, power cut and printer repairs are the common reasons reported for it. Some consumer protection measures such as introduction of BC to the members in a public meeting, posting of a signage and brochure on the charges for offering various services were taken by some of the bank branches but not all

5.2 There is a poor monitoring and reviewing mechanism of the activities of BCs by the banks and TSPs. Majority of the BC outlets are not visited, not even once, by the banks (70%) and TSPs (54%). The purpose of visits is to motivate and mobilize the villagers, to introduce the BC/CSP in a public meeting, to repair the devices, to distribute smart cards and to review the progress of CSPs.

5.3 The banks and /or TSPs response in solving the issues and problems of BCs is minimal. The BCs brought their problems and issues to the notice of banks and TSP during review meetings, officials' visits to BC outlet/CSP and over phone. About 80 out of 100 sample BCs have complained 179 times to banks or TSP. About 48% of BCs made complaints once or twice. Majority complaints are given to TSP (73%) followed by banks (27%). Majority of the complaints are related to account opening, honorarium & commission, problems with technology devices & accessories and infrastructure. Of the total 179, 34% of complaints were solved; however, majority of the issues are in long pending –six months to one year.

5.4 Farmers' Clubs (FCs): The banks and NGOs have formed a good number FCs in the study area (760) and in state (7338). Majority of the clubs are poor in functioning, and dormant. Majority of the clubs availed NABARD's financial support for base level orientation training programme. There is a limited understanding among the members on FCs and its activities. Some NGOs, initiated the formation of FC federations and linking with livelihood activities. It was also found that the FCs don't have the capabilities to perform the role of a business correspondent without adequate capacity building.

## **6 What is the impact of business correspondents in terms of outreach, access to financial services? What are the changes at account holders' households and volume of bank business?**

6.1 In sample BC model FI villages, about 52175 members were enrolled with an average of 522 members in a village. Of the 52175 members enrolled with BCs, 30780 (59%) members got smart cards with an average of 308 per village. Of the total, 30780 A/c holders got smart card; 10817 members (35%) have made transactions by using smart cards. Of the total A/c holders, 21288 (41%) already have accounts in the regular bank branch and the remaining 59% are new account holders. The data shows that high percentage of accounts opened in a CSP is of women (47%) followed by men (42%) and children (11%). Majority households opened two or more than two accounts with the household members. But only few accounts have been operated regularly but not all.

6.2 Majority of the account holders have opined that there is 'no change' at household level especially in credit access, usage of banking services, taking of hand loans, unnecessary expenditure, dependency on money lenders regularity of payments and earnings-savings linkage, except in the habit of savings. However, the account holders have perceived a good number of advantages of BC model – i) account opening is not expensive, ii) banking services at door steps, iii) convenience and easy, iv) time saving and cost effective, v) more helpful to the vulnerable and promotion of savings. The BCs also reported unconstructive aspects – instead of getting earnings pushed into debts/burdens, damage of reputation of BCs in the village, working for vested interests rather than larger

interest, social discrimination, unhealthy competition between banks and CSP/BC outlets and so on.

6.3 All the 25 banks (17- public sector banks, 5-regional rural banks and 3-private banks) succeeded in covering the total number of villages allotted by the SLBC under FIP. About 6280 BCs were appointed by banks and TSPs. Further, as on 30.06-2012 about 32.21 lakhs of FI accounts were opened under FI programme with an average of 545 and 577 per village and BC respectively.

The banks have reported the impact of BC model as i) employment generation or the additional source of income to the rural unemployed or quasi employed; ii) mobilization of deposits in the form of savings and iii) disbursed large volume of personal loans to BCs to procure technology devices.

## **7 What are the suggestive means for the sustainability of BC model?**

The banks, TSP, BC and the account holders have made specific measures for the effective implementation and sustainability of BC model. They are:

- i) Awareness and capacity building programmes at all levels – training programmes to bankers and business correspondents; and awareness campaigns at village level through public meetings, print and electronic media.
- ii) Increase in volume of business by providing a) diversified financial services, b) saving and loan products, c) enhancing cash limits of receipts, payments and business correspondents, d) disbursement of social security pensions and wages through CSPs and e) effective implementation of grievances and redressal mechanisms and f) linkage of SHG-CSP for all kinds of financial services. Besides, the usage of BC services at village level for general banking activities especially in recovery of general loans.
- iii) Timely payment of decent honorarium and commission – fixed amount of honorarium and commission based on performance besides maintenance charges.
- iv) Standard technology and reputed technology service providers to all the banks in a given district or region will short out many issues- increases monitoring, turnover of staff at village level, can attend and solve technology based problems immediately etc.
- v) Synergy between banks, technology service providers and business correspondents with clear roles & responsibilities and performance review mechanisms at branch, district and regional levels.

# Chapter-1: Introduction

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## 1.1 Review of literature

Business correspondent framework is a new channel to the banks, offered by the Reserve Bank of India through its set of guidelines in 2006, to ensure greater financial inclusion and to expand its outreach. Non-Governmental Organizations, Civil Society Organizations, Microfinance Institutions, Self Help Groups, technology providers and many other groups or individuals act as intermediaries in providing banking and financial services.

According to IBA Sub-Committee on IT- enabled Financial Inclusion (2008), “financial inclusion is the delivery of financial services to all the people in a fair, transparent and equitable manner at affordable cost. It has the potential to improve the standards of life of the poor and the disadvantaged. Financial services permit individuals and households to manage the risk and uncertainties to save risk free, borrow on better terms, to invest in a business venture or property and to cope with unforeseen expenses”.

A retreat organized by Reserve Bank of India, College of Agricultural Banking and Access with the Support of CGAP concluded that the Business Correspondent model has enough potential to attain financial inclusion, but is still in the initial stages of its adoption and need to be concentrated on changes at the institution level to make the BC channel viable and profitable (Business Correspondents and Facilitators, Pathway to Financial Inclusion).

To make the BC model sustainable, a study conducted by Microsave India concluded that balance based model, which has longer investment horizon ensures greater financial inclusion than the transaction based approach, which target those clients who demand larger, one-time transactions like remittances, cheque deposits and time deposits. The study has also concluded that the agent model can reduce the overall cost of delivery of the banks as the agents can usually take on and manage more of the lending risks, and may require lower salaries than MFI staff (Matthews).

A report of the working group to review the BC model by the Reserve Bank of India is of the view that the banks would need to accept the BC model as extremely vital for achieving the goals of financial inclusion. It stated that none of the foreign banks have experimented with this model except few public and private banks. The number of BCs appointed by Public and Private Sector Banks are 85 and 44 respectively and the number of no frill accounts opened in these banks is 8047007 and 813259 respectively. It has also stated that customer education and credit counseling provisions are very important in the financial inclusion programme because, in spite of availability of services these people require knowledge and skill about how to use that facilities and how these services are beneficial to them (Report of the Working Group to Review the Business Correspondent Model, 2009).

A study, Speeding Financial Inclusion by Skoch Development Society found that over a two year period (2007 to 2009) 25.1 million accounts were opened but only 11% are operational and active (Kocchar).

A study on Multidimensional Conceptual Instrument (eFI-Test) for Assessment of E-Financial Inclusion states that Community Banking, Business Correspondent, Customer Education, Credit Counseling, use of IT and Service standards of IT enable banking service are important factors in financial inclusion. It also added that qualitative increment and positive impact on marginalized sections of the society is important in financial inclusion than the increased number of bankable population (Kumbhar).

A research on 100% inclusion: Access and Usage- in Gulbarga district, which claimed to have achieved financial inclusion reveals that, most of the no frill accounts opened, pertain to the National Rural Employment Guarantee Programme, rather than to the drive for financial inclusion. Those accounts were not used for savings but only to avail government assistance. Only SHG women use these accounts for savings. Hence the report concluded Business Correspondent Model is more effective to motivate the people to use the accounts (Ramji, 2007).

A Report by IIMA-NABARD on Facilitating IT Enabled Financial Inclusion in India to Understand the Current Issues and challenges in ICT Enabled Financial Inclusion reveals that less commissions or service chargers, daily reporting norm, client profile, know your customer norms, restrictions regarding command area, cash viability and cash management of netting deposits and withdrawals and lack of insurance cover of cash in the transit are the major current challenges for Business Correspondents to operate (Dass, 2012).

A report, Deepening Financial Access in India- A Blueprint for Commercial Banks argued that the banks, which has a wide network of branches across India has even established their presence in the remote areas by using BCs and BFs, which can offer financial services in a convenient and flexible manner. It also added that scaling-up the BC channel in villages is a desirable pathway to deepen financial inclusion. The blueprint also suggested ten key initial steps like appointing village level BC/BFs, equipping the BCs with basic infrastructure, providing small amount of initial finance to cover pre-operative costs, long term working capital loans, additional credit line, adequate training, capacity building and access to high quality technology, etc., for viable BC/BF model (Kumar, 2010).

A report on Financial Inclusion through Bank Linkage: Business Correspondent Model by HDFC Bank stated that BC model acts as an effective tool for the banks to extend the financial services to the un-reached with lesser presence besides having reputation, legal and operational risks (Raj, 2009).

A Study report, Cost Benefit and Usage Behaviour Analysis of No Frills Accounts in Cuddalore District highlighted that a significant percentage of households were still left out of the banking net and only 15 % of the customers were operating with a steady increase in balances over one year from their account opening date. The study has also highlighted that a bulk of the accounts hadn't operated even once due to lack of financial literacy as the main reason. It has also highlighted that the current levels of transaction and average balances has reached the break even of the maintenance cost but not the account opening costs (S. Thyagarajan, 2008).

According to a study conducted by Sa-Dhan (2012) the shortcomings for the business correspondents model are the cost structure, bank's lack of commitment, absence of financial literacy, lack of knowledge between customer service point operators (CSPs) and

clients and lack of grievance redressal system. BCs and CSPs operating from rural areas are struggling to generate volumes. There is a lot of resistance from the banks towards BC and CSPs at the ground level.

## 1.2 Context of the study

Financial Inclusion Programme (FIP) is being implemented all over the country to cover the financially excluded people. Accordingly all the banks have been allocated villages having population of 2000 and above for covering under Financial Inclusion Programme by 31 March 2012. This financial inclusion campaign is named as 'Swabhimaan'. Under FIP the banks are advised to cover all the villages allocated to them either by brick and mortar branches, Business Correspondents (BCs) and by Mobile Vans. As on 30 June 2012, about 6280 business correspondents were appointed by 25 banks with the support of 22 technology service providers. In this context, NABARD has proposed a study on "The Impact of Business Correspondents in Anantapur, Kurnool and Nellore Districts of Andhra Pradesh" to suggest appropriate measure for the sustainability of BC model and to attain the broader objective of financial inclusion programme.

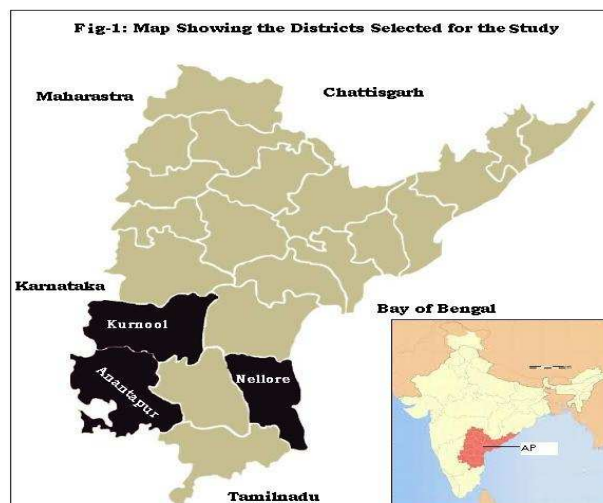
## 1.3 Objectives of the study

The broad objective of the present study is to know the impact of Business Correspondent model at various levels – Bank, Business Correspondent and Account Holder or client. The specific objectives of the present study are:

- i) Impact of appointment of business correspondents by the banks in Financial Inclusion;
- ii) The coverage of clientele by the business correspondents in the identified districts;
- iii) The parameters and incentives offered to BCs, and suggestions for the viability of business correspondents;
- iv) Involvement of Farmers Clubs as Facilitators (BFs) and SHGs as BCs/BFs;
- v) Sustainability of institutional framework in Business Correspondent /Business Facilitator model on a long term basis; and
- vi) Analyse the effective financial inclusion & extent of financial inclusion achieved in quality and quantity.

## 1.4 Research methodology

*1.4.1 Sampling methodology:* The NABARD, Regional Office, Hyderabad has commissioned a study to APMAS on 'The Impact of Business Correspondents in Anantapur, Kurnool and Nellore Districts in Andhra Pradesh' by covering 100 business correspondents (see fig-1). Further, they also provided the list of BCs which are of more than one year old and engaged with Andhra Bank (AB), State Bank of



India (SBI), Syndicate Bank (SYB) and Andhra Pragathi Grameen Bank (APGB) (Appendix-1).

The universe of the present study is the business correspondents those who were appointed as BCs a year ago. The study has covered 100 business correspondents, 195 account holders and 15 bank branch managers in Anantapur, Kurnool and Nellore districts of Andhra Pradesh (Table-1.1 and Appendix 2, 3, 4 and 5). The districts were selected by the NABARD on the criterion of number of BCs functioning in the district as per the information provided by the Lead Bank District Managers. Besides the information provided by NABARD, during piloting of tools the study team has interacted with LDMs and DDMs and collected the updated version of the list of BCs working for various banks. The mandals in which more number of BCs operating irrespective of the banks were selected for the study. While selecting the mandals care was taken to cover the BCs of different banks. In a village, for each BC, two account holders were selected at random, based on the availability of members.

S. No.	Sample unit	Name of the District			Total
		ATP	KNL	NLR	
1	Business Correspondents	36	32	32	100
2	BC- Account Holders	72	64	59	195
3	Bankers	4	5	4	13
4	District officials	5	3	4	12

1.4.2 *Data collection tools:* Both quantitative as well as qualitative data and primary as well as secondary data were collected from bankers, business correspondents and account holders at district, mandal and village levels through qualitative and quantitative data collection techniques. Separate interview schedules were designed for BCs (Appendix-6) and A/C Holders (Appendix-7) and a checklist to interact with bankers. Individual interviews were conducted with district officials, such as Deputy General Managers (DGMs) at Regional Offices, Lead Bank District Managers (LDMs), District Development Managers (DDMs) and Branch Managers with a focus on the issues and problems faced at various levels, and sustainability of the model. The details of data collection tools and various aspects covered by each tools, and the data source are given below.

<u>Data source</u>	<u>Tools used</u>	<u>Aspects covered</u>
1. Business Correspondent	Format-1: Interview schedule	<ul style="list-style-type: none"> <li>- Socio-economic profile of BCs</li> <li>- Details association with base bank</li> <li>- Awareness on BC model &amp; activities</li> <li>- Nature of activities/types of services</li> <li>- Volume of business</li> <li>- Support from bank and TSP</li> <li>- Honorarium and commission</li> <li>- Monitoring and risk management</li> <li>- Issues, problems and suggestions</li> </ul>
2. Account	Format-2:	<ul style="list-style-type: none"> <li>- Socio-economic profile of BCs</li> </ul>

Holder	Interview schedule	- Awareness on BC services and products - Volume of business as A/c holders - Opinion on systems followed by BC - Impact of BC activities at HH level - Issues, problems and suggestions
3. Officials at district level	Checklist for Semi-structured Interviews	- Outreach of the programme - Strategies - Issues and problems - Future strategies
4. Bank Branch Managers	Checklist for Semi-structured Interviews	- Selection of BCs - Outreach –no. of BCs, accounts, volume - Kinds of services & products through BCs - Monitoring and review mechanisms - Cash limits - Issues, impact and suggestions
5. BCs and Holders	A/c Case studies	- Case studies showcasing various aspects of BCs and the impact at various levels
6. Villagers	Informal discussion	- Advantages and disadvantages of BC activities - Role of SHGs in sustaining BC model

## 1.5 Fieldwork

A study team of seven members was formed to collect information from business correspondents, account holders and bankers. Prior to the fieldwork, care was taken in sending a 'Letter of Introduction by NABARD' to the district level officials and the staff concerned with 'Financial Inclusion' (See Appendix-8). To build common understanding about the study, among the study team members, a one day orientation was organized on the purpose of the study, selection of sample BCs and account holders, data collection tools, data editing and case studies. A tentative fieldwork plan was prepared and shared, well in advance with the bank officials, especially with AGM/DDM of NABARD, in order to coordinate meetings with the bankers and to gather secondary data (Appendix-9).

## 1.6 Limitations of the study

Following problems has encountered, while conducting the study by the study team. They are:

- The data provided by the bankers is not up to date; and
- The data provided by the BC about the volume of business is not accurate as the books of records were not available and the devices were in repair.

## 1.7 Analysis of the data

All the filled in interview schedules were edited and coded. Before entering the data into computer for analysis, data entry formats in Microsoft office –Excel was prepared and then the data was exported to Statistical Package for Social Sciences. Further, prior to data analysis, the data was once again checked. The data was analyzed at three levels- i) data



collected from banks at district and branch level, ii) data collected at Business Correspondent level and iii) data collected from Account Holders of BCs. Simple statistical tools like means and ratios were computed, and various tables were prepared to compare, interpret and to draw meaningful inferences.

### **1.8 Structure of the report**

The structure of the report was prepared as per the objectives of the study. The report consists of eight chapters. Chapter-1 is an introduction of the study, which includes review of literature, context of the study, objectives, sampling methodology, limitations of the study, data analysis, and structure of the report. Chapter-2 describes the profile of business correspondents, account holders and a brief note on technology service providers. Chapter-3 analyzes the awareness levels of BCs/CSPs, account holders on BC model and the strategies followed by bankers, TSP and business correspondents in creating awareness at various levels.

Chapter-4 discusses the functioning of BC outlets or CSPs, which includes office of the business correspondent, technology used, honorarium & commission, problems and issues related to infrastructure and technology, volume of business and the opinion of account holders on the functioning of CSP. Chapter-5 accounts the risk management particularly management of information system, review mechanism and problem solving. Chapter-6 highlights the impact of BC model at different levels – bank, village and household. Chapter-7 discusses about the quality of Farmers' Clubs and their abilities to take up the role of business correspondent. The last chapter presents the tone of stakeholders for the sustainability of BC model.

## Chapter-2: Profile of Business Correspondents

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The present section of the report primarily focuses on the profiles of business correspondents, account holders and technology service providers. Firstly, it discusses about the socio-economic conditions of the individuals selected as 'business correspondents' who provide financial services as an extension agent of banks at village level; and tries to address the question 'Does the socio-economic background of the BCs contribute for the better performance? Secondly, it discusses about the socio-economic conditions of the 'account holders of BCs' and their access to banking services earlier to BC model operations in the village and thirdly, a brief account of technology service providers' collaboration with banks was explained.

### 2.1 Profile of Business Correspondents

According to RBI guidelines, the banks may engage the individuals like retired bank employees, retired teachers, retired government employees and ex-servicemen, individual owners of Kirana/medical/fair price shops, individual public call office operators, agents of small savings schemes of Government of India/Insurance Companies, individuals who own petrol pumps, authorized functionaries of well run SHGs which are linked to banks, any other individual including those operating Common Service Centers (CSCs); NGOs/MFIs set up under Societies/Trust Acts and Section 25 Companies; Cooperative Societies registered under MACTS Act; post offices and companies registered under the Indian Companies Act, 1956 with large and widespread retail outlets excluding non banking financial companies (NBFCs). The present study is confined only to the individuals engaged as business correspondents. The brief profile of the sample BCs is given below.

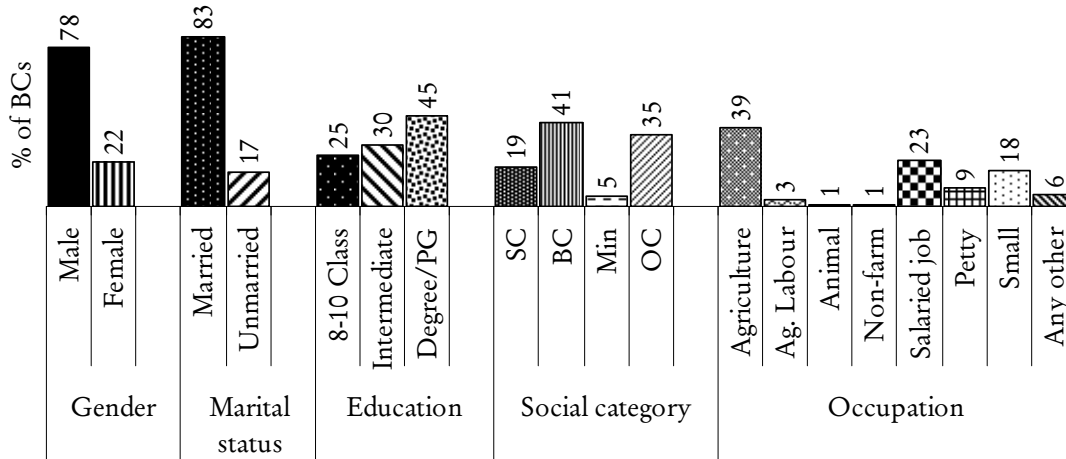
*2.1.1 Gender:* Of the sample BCs, majority of the members are male (78%) followed by female (22%). However, the percentage of sample female BCs is very high in Nellore, when compared to Anantapur (17%) and Kurnool (9%) districts (See Appendix-10). This could be the resultant of more awareness due to active participation of women in self help group and anti-liquor movements in the district.

*2.1.2 Marital status:* The data in fig-2.1 on marital status of BCs shows that majority of them are married (83%) followed by unmarried (17%) Again like gender, the percentage of unmarried BCs in Nellore district (12.5%) is high compared to Kurnool (13%) and Anantapur districts (8%).

*2.1.3 Educational levels:* As per the guidelines, an individual who have failed or passed class -X is eligible to work as Business Correspondent. The data in Fig-1 shows that majority of the BCs possess degree (45%) and intermediate (30%) followed by 8<sup>th</sup>-10<sup>th</sup> class (25%).

*2.1.4 Social category:* Of the 100 sample BCs, majority of the BCs belong to BC (41%) and OC (35%) categories followed by SCs (19%) and Minorities (5%). It is because of selection of BCs from socially and economically better off households. However, the percentage of sample BCs of SC category in Nellore district (47%) is high, when compared to all other social categories and districts.

Fig-2.1: Socio-economic Status of Business Correspondents



2.1.5 *Primary occupation:* The data on occupation of BCs shows that primarily many households depend on agriculture (39%) followed by salaried jobs (23%), small enterprise, (18%) petty business (9%) and others. The technical agencies and/or banks have given priority to the persons to those, who have been engaged in economic activities, to make sure of regular income sources and cash flows.

2.1.6 *Household income:* The household annual income varies from Rs. 30000 to Rs. 5 lakh with an average of Rs. 1.23 lakhs. About 45% of the sample BC households' annual income is between Rs. 50000 – Rs. 100000 followed by more than Rs. 1 lakh (39%) and less than Rs. 50000 (16%). It means that majority of the BC households belong to APL category, and the technical service providers have taken care, while selecting the persons from better off households as Business Correspondents.

## 2.2 Profile of Account Holders

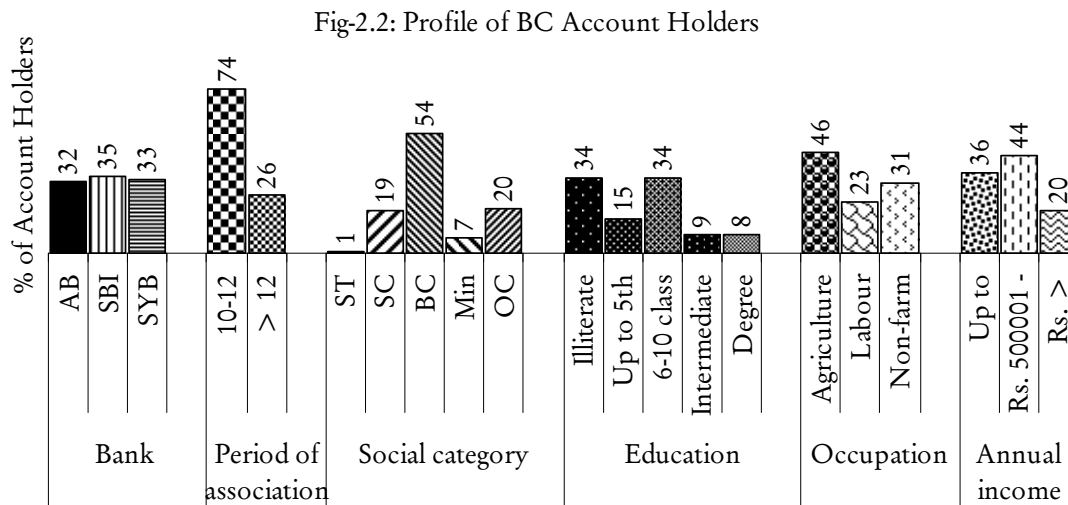
2.2.1 *Social category:* The data in fig-2.2 shows that of the 195 sample A/c holders, 54 percent are BCs, 20 percent are OCs, 19 percent are SCs and the remaining are Minorities (6%) and STs (1%). It shows that majority of the accounts holders are of higher social categories. However, the percentage of SC account holders in Nellore district is high (36%) compared to Anantapur (18%) and Kurnool (5%) districts. It shows that there is a positive relationship between the coverage of vulnerable sections and the social category of BCs.

2.2.2 *Educational levels:* The educational levels of the sample A/c holders shows that about one-third are illiterate, another one-third are graduated between 6<sup>th</sup> and 10<sup>th</sup> class and the remaining are less than 5<sup>th</sup> standard (15%), intermediate (9%) and graduation (8%). The educational levels of the BCs in Nellore district is good compared to the other districts (See Appendix-11). It could be because of high literacy rate of the district.

2.2.3 *Household primary occupation:* Of the 195 sample A/c holders' households, 43 percent are primarily depending on agriculture, farm & non-farm labour (23%) and the remaining depends on non-farm activities that include caste occupations, seasonal & petty business, small enterprise and salaried job holders. However, the percentage of

households, who depend on non-farm activities in Nellore district, is high compared to other two districts (see annexure-)

**2.2.4 Household annual income:** The annual household income of A/c holders varies from Rs. 12000 to Rs. 800000 with an average of Rs. 91941. Majority of the A/c holders (64%) have an annual household income of more than Rs. 50000 and the remaining 36% of account holders have less than Rs. 50000 per annum. However, little more than one-fifth of households have more than Rs. 100000 of annual income. It shows that all categories of people irrespective of economic categories are either below poverty or above poverty level categories have opened the accounts with BCs. However, the average annual household income of ST account holders is low with Rs. 60000, and it is high among OC account holders with Rs. 163103 compared to other social categories (SC- Rs. 72703; BC- Rs. 72904; Min-Rs. 89415). The cash flow of the households influences the business of the business correspondent.



**2.2.5 Association with base bank branch:** Of the 195 sample A/c holders, about 34% are associated with State Bank of India (SBI), 33% with Syndicate Bank (SYB) and the remaining 33% are with Andhra Bank (AB). However, district-wise percentage of account holders' affiliation with banks is different as it depends on coverage of sample of BCs more than one year old.

**2.2.6 Period of association with BC:** About 74 percent of sample A/c holders have been associated with BCs between 10 and 12 months and the remaining 26 percent of A/c holders have 13 to 18 months of association with BCs. The percentage of A/c holders' period of association between 10-12 months is low in Kurnool district (67%) followed by Anantapur (71%) and Nellore (85%). It indicates that the BC model has gained attention from the past one year though it was started in second half of the year- 2010 in all the districts.

**2.2.7 Savings Account in bank prior to BC model:** About 254 members of 195 sample A/c holder household members have saving accounts in bank even before they opened account with BCs. Of the 254 SB Accounts, majority accounts are of men (68%) followed by

women (27%) and children (5%). Of the 195 sample A/c holder households, majority households, at least one member has savings account in bank.

## 2.3 Association with banks

2.3.1 *Name of the bank:* Of the 100 sample Business Correspondents, 34 percent of BCs are affiliated to State Bank of India (SBI), another 34 percent are to Syndicate Bank and the remaining 32 percent are to Andhra Bank.

2.3.2 *Distance to bank:* The data in table-2.1 shows that the distance between the location of BC outlet and bank varies from 0.5 km to 40 km with an average of 9.93 Kms. In majority of cases, it is between 6 and 15 km (53%) followed by less than 5 Kms (30%) and more than 15 Kms (17%). However, the average distance is more in Kurnool with 11.34 Kms compared to Nellore (9.64 Kms) and Anantapur (8.91 Kms) districts. The average distance between bank branch and BC is more in case of AB (10.78 Kms) compared to SBI (10.49 Kms) and SYB (8.56 Kms). It reveals that the BCs in Kurnool district and the BCs of AB and SBI are comparatively located in interior/far off villages. In other words, the BCs of SYB and in Anantapur district are closely located to banks compared to other banks.

S. No	Distance	Name of the District			Total
		ATP	KNL	NLR	
1	< 05 Kms	27.8	25.0	37.5	30.0
2	06 -10 Kms	41.7	37.5	21.9	34.0
3	11 -15 Kms	22.2	12.5	21.9	19.0
4	> 15 Kms	8.3	25.0	18.8	17.0
Total		100.0	100.0	100.0	100.0
Avg. distance in Kms.		11.3	8.9	9.6	9.9

2.3.3 *Local fare:* The local travel fare between BC and bank varies from no fare to Rs. 60 with an average of Rs. 12.68. The average local travel fare is high in Kurnool district with Rs. 15.47 compared to Anantapur (Rs. 11.89) and Nellore (Rs. 10.78) as the BCs are located comparatively at far-away villages.

## 2.4 Technology Service Providers (TSP)

To implement the financial inclusion programme through business correspondents, banks (25) collaborated with 22 technical agencies for technology services. Some banks collaborated with more than one TSP. For example, Canara Bank collaborated with M/s Integra Micro Systems and M/s Bartronics India Ltd.; SBI collaborated with Sahayog Micro Fin, 4G Identity Solutions, Mainstream, Ennela and ZMF. In the same way, some TSPs collaborated with more than one bank. For instance, M/s Bartronics India Ltd collaborated with Andhra Bank, State Bank of Hyderabad and Syndicate Bank; M/s Integra Micro System collaborated with Vijaya Bank, Corporation Bank, Central Bank of India and Canara Bank (Appendix-13).

2.4.1 *Technology Service Providers:* The banks have collaborated with technical agencies to provide technical services between banks and business correspondents. Of the sample BCs, 39 percent are associated with Bartronics, followed by SBI-Financial Inclusion Cell

(34%) and Indian Grameen Services/ Sub-K (27%). Following are the details of technology service agencies to the sample banks in the study districts.

<u>Name of Bank</u>	<u>Technology Service Provider</u>
• AB	1. Bartronics in Anantapur, Kurnool and Nellore districts
• SYB	2. Indian Grameen Services/Sub-K in Anantapur and Kurnool 3. Bartronics in Nellore district
• SBI	4. Financial Inclusion Cell – SBI wing in Anantapur, Kurnool and Nellore districts
• APGB	5. HCL Info Tech. in Nellore District

2.4.2 *Roles and responsibilities of TSP:* Following are the roles and responsibilities of technology service providers.

- i) Identification and appointment of business correspondents in the villages, which are listed as Financial Inclusion villages with more than 2000 population and with no bank branch.
- ii) Training on BC model, roles and responsibilities of business correspondent, usage of technology devices, such as computer, printer, emails, internet, money transfer, data entry, community mobilization etc.
- iii) Collection of information, necessary documents and filling up of application to open an account.
- iv) Disbursement of smart cards; supply of necessary formats for the management of necessary information- account opening formats, cash book, stationary etc.
- v) Periodical reviews at different levels.
- vi) Disbursement of monthly salaries to BCs.
- vii) Supply of devices, such as Point of Sale (PoS) Machine, mobile with Integrated Voice Recording System (IVRS), computer, internet services etc.

In summary, majority of the business correspondents are socially and economically affluent. Majority of the BCs have the educational qualifications and the ability to manage 'floating money'. Bulk number of the A/c holders belongs to higher social strata having account in banks prior to BC model. Greater numbers of financial inclusion villages chosen for the implementation of BC models are located in a moderate distance than far off and interior. Some banks have collaborated with more than one TSP and vice –versa. The TSPs of sample banks have been using different technologies in the implementation of BC model.

## **Awareness on Business Correspondent Model**

The success of any intervention depends on the awareness levels of primary and secondary stakeholders. The awareness levels of target group and the implementing agency influences access to different services & products and participation & involvement, and effective implementation of the programme respectively. This part of the report discusses on what are the awareness levels of BCs and A/c holders on BC model activities. Further, it talks about the strategies that the bank, TSP and BCs have followed besides the problems and issues encountered in the process of awareness creation.

### **3.1 Awareness on BC model activities**

*3.1.1 Awareness of BCs:* The data in table – 3.1 shows that most of the BCs are aware of i) creating awareness on financial literacy among the villagers (88%), ii) identification of borrowers (93%), iii) preliminary processing of applications (100%), iv) submission of account opening forms to bank (97%) as the roles and responsibilities of BCs. However, more or less one half of the members are aware of kinds of financial services such as i) collection of small value deposits, ii) disbursement of small value credit, iii) sale of micro insurance products, iv) post sanction monitoring & follow up for recovery and v) receipt and delivery of small remittances provided through BC model. It shows that the BCs are more aware of account opening and collection of small value savings or deposits and withdrawals than the credit, insurance and remittance services. Further, the awareness on BC model activities/ services in Kurnool district is high compared to Anantapur and Nellore districts (see table 3.1).

Table – 3.1: Awareness on BC Activities (% of BCs)					
S. No.	Particulars	Name of the District			Total
		ATP	KNL	NLR	
1	Identification of borrowers	91.7	100.0	87.5	93.0
2	Creating awareness on financial literacy	86.1	96.9	81.3	88.0
3	Preliminary processing of applications	100.0	100.0	100.0	100.0
4	Submission of applications to banks	97.2	96.9	96.9	97.0
5	Post –sanction monitoring	41.7	56.3	28.1	42.0
6	Follow-up for recovery	47.2	59.4	50.0	52.0
7	Disbursement of small value credit	61.1	62.5	46.9	57.0
8	Collection of small value deposits	77.8	90.6	78.1	82.0
9	Sale of micro insurance products	55.6	68.8	25.0	50.0
10	Receipt & delivery of small remittances	44.4	56.3	62.5	54.0

*3.1.2 Awareness of A/c holders:* The data in table -3.2 shows that most of the A/c holders know about i) the opening of bank accounts and ii) promotion of savings as BC model activities/services. Low percentage of holders knew about BC model services such as i) disbursement of small loans, ii) remittances, iii) micro insurance, iv) sale of third party products etc. as most of the BC model activities of sample banks are limited to opening of accounts,

promotion of savings and receipts & payments. However, few BCs of SBI have facilitated promotion of recurrent deposits and agriculture and gold loans. Further, about 89 percent of the A/c holders heard about the services/activities of BC model through business correspondents (89%) and the remaining through SHGs/VO, banks, TSP/FIC and key persons in the village.

S. No.	Particulars	Name of the District			Total
		ATP	KNL	NLR	
1	Promoting savings	87.5	84.4	89.8	87.2
2	Promote deposits	20.8	14.1	35.6	23.1
3	Small Loans	56.9	28.1	54.2	46.7
4	Remittances	6.9	7.8	16.9	10.3
5	Micro-insurance	8.3	4.7	1.7	5.1
6	Opening of Bank A/c	80.6	62.5	64.4	69.7
7	Any other	2.8	21.9	10.2	11.3

3.1.3 *Awareness of Bankers:* The interactions with the branch managers or the persons who are looking after the financial inclusion programme and district officials reveal that many are not fully aware of the processes and no concrete plans in implementation, how to use the services of BCs to serve clients and improve bank business notably.

### 3.2 Strategies for awareness creation/customer education

3.2.1 *Training to BCs:* The bank and/or the TSP conducted trainings to BCs about 3 -5 days in one or two spells on CSP activities, roles and responsibilities of BCs, community mobilization, financial literacy, usage of technology devices and terms & conditions. The details of trainings provided are given below.

Particulars	Andhra Bank	State Bank of India	Syndicate Bank
1. Selection of BCs	Bartronics – Technology Service Provider	Bank Branch Manager with the instructions of FIC	Bank Branch Manager and /or IGS /Sub-K
2. Training	At district headquarters and Hyderabad	At district headquarters	At district headquarters
3. No. of days	3-4 days	5 days	3-4 days
4. No. of times	2 times – First visit on selection of BCs and orientation on roles and responsibilities, CSP activities, terms and conditions; second visit on usage of	1 time –First two/three days on roles and responsibilities, CSP activities, terms and conditions; 2/3 days on usage of technology devices	2 times – First visit on selection of BCs and orientation on roles and responsibilities, CSP activities, terms and conditions; second visit on usage of technology devices



	technology devices	and record keeping	
5. Travel	Paid by banks	Paid by banks	Paid by banks
6. Accommodation	Provided	Provided	Provided
7. Appointment letter	Letter & ID cards are issued	Letter & ID cards are issued	Letter & ID cards are issued

The study team has collected the opinion of BCs, especially on the quality of training and issues and problems faced during training. The BCs have reported the issues faced in the training are:

Most of the BCs have opinioned that the training programme was useful and provided an understanding on the nature of activities of BCs and the kind of services to be offered to account holders through CSP. Majority of the BCs are happy with the training.

- ii) However, the BCs have reported some problems regarding training as:
- Out of 100 sample BCs, about 9% didn't attend any training on the BC activities; especially those who were appointed in the place of drop-outs or turned out.
  - Long hours and days of training; poor logistic arrangements- poor quality food, training in lodge; not followed any schedule in training.
  - No individual attention, due to large no. of participants; and not clearly explained how the systems really work; training in English; not provided any material for further reading and use.
  - Not really paid much attention during the training on the financial services other than deposit & withdrawal of savings offered through CSPs.
  - Paid only bus fare to attend trainings but not food expenses for the travel days

### 3.2.2 Meetings at village level

i) *No. of meetings held:* The bank, TSP and the BC together organized meetings at village level to create awareness on financial literacy, BC activities and usages, to build faith among the community etc. The data shows that in two-thirds of the sample villages, between one to four meetings were conducted since inception of the programme. However, meetings were not conducted in one-third of sample villages.

ii) *Participation in meetings:* Awareness meetings were held by 67 BC villages out of 100 sample BC model villages. Bank branch managers participated in 85% of the villages. However, the branch manager and/or the person looking after financial inclusion were not involved in significant number of BC villages (43%) in the implementation of the programme. Of the awareness meetings held in 67 out of 100 sample BCs' villages, there is no presence of TSP staff in 50 percent of the meetings. It reveals that the involvement of TSPs is minimal in awareness meetings on BC activities/services. Further, the data on villagers' participation in meetings held on awareness creations shows that, on an average about 125 villagers attended the meeting. It shows the meager community participation of villagers in awareness creation meetings.

iii) *Purpose of meetings:* The purpose of meetings is twofold – a) creating awareness on financial services of banks through BC model and b) introducing BC to the villagers.

- *Awareness on BC activities:* The BCs said that the main purpose of conducting meetings is to create awareness about the BC model and its activities which include No frill account opening, the process of enrolment, usage of smart cards, advantages of account opening, savings and withdrawals by using biometric devices.
- *Introducing BC to the community/villagers:* Introducing BC by the bank as the agent.

3.2.3 *Awareness strategies of BCs at village level:* Besides meetings by involving the bank branch managers and TSP staff, the business correspondents, at individual capacity, have pursued the following strategies to propagate the kind of services to be provided through BC model.

- i) *Banners:* The BCs used banners near the bus stops, main roads and in different public places, during the commencement of BC activities in the villages as a part of awareness.
- ii) *Sign Board:* The signboards given to the BCs attracted many clients
- iii) *Videos:* Few BCs screened the CD given by the TSP on BC model and financial inclusion in the village.
- iv) *Pamphlets:* Distributed pamphlets as a part of awareness creation
- v) *Paper clippings:* The BCs used the paper clippings on BC model and its benefits bankers as a tool for creating awareness.
- vi) *Govt. officials' meetings and visits:* Some BCs used various meetings conducted by the officials such as MPDO, Agriculture officers, Panchayat Secretary, Housing officers, LIC officers, MRO for disseminating the information.
- vii) *Mouth canvassing through local volunteers:* The BCs used local ambassadors for disseminating the information related to BC model and its activities. Few BCs used sound system and few took the help of the local volunteers.
- viii) *Public meetings:* Conducted habitation wise public meetings.
- ix) *Informal discussions at public meeting places:* As most of the BCs are petty shop keepers/ entrepreneurs/ the agents for other companies, shared information about BC model.
- x) *Door to door campaign:* Made door to door visits in opening the accounts and in creating awareness about the model.
- xi) *Monthly meetings of VOs:* Some BCs used VO meetings as a platform to share the information about the BC model.

### **3.3 Problems and Issues in Awareness Creation**

During interactions, the BCs have reported the problems faced by them with the villagers, bankers and TSP in creating awareness about BC model.

- i) *Problems with banks:*
- *Lack of bankers' support:* BCs said that the bankers didn't come to the village for conducting meeting in the villages for creating awareness.
  - *Villagers already have bank accounts:* The villagers already had bank accounts to avail crop loans in the nearby bank branches and hence didn't show much interest in using the BC services.
  - *Regular bank branch in a vicinity:* In few cases, the banks are very near and the literate, educated youth didn't show much interest on using the biometric devices like finger print machine
- ii) *Problems with Technology Support Providers:*
- *Lack of support by the TSP:* The BCs said that the TSPs are not cooperative and supportive in creating awareness. They said that they are postponing the village meetings and delay in opening the accounts. They also said that the TSP didn't give them a clear picture of their role in creating awareness and other BC activities.
- iii) *Social factors*
- *Caste discrimination:* The BCs, who belong to scheduled communities, faced many problems in motivating the villagers as the upper caste people feel that they get polluted in entering the house of a schedule community person. Hence many of the villagers didn't show much interest in opening the account as they have to come to the BCs' house for opening the accounts and for further transactions.
- iv) *Weaknesses of BCs:*
- *Lack of trust on BC model:* The BC said that the bankers didn't support them in creating awareness and the villagers reported that they find it difficult to believe that the BCs as the representatives of bank. They BCs also added that there is no coordination between the banker, TSP and BC, which lead to raise many questions by the villagers.
  - The BC had made many visits to the villagers' houses to build the trust. The BCs said that it is very difficult for them to answer the questions raised by the villagers, as they have expected a physical bank building for security for their savings, etc.
  - *Personal activities and low levels of awareness of BC:* The BCs pointed out that they were preoccupied with their personal activities and few said that they were not provided with adequate knowledge of BC activities; hence they didn't show much interest in creating awareness.
- v) *Problems with villagers:*
- *Location Problem:* Lack of physical appearance of the mini bank was the main problem according to many BCs. The BCs also expressed that their geographical area is scattered with many habitations/colonies and it is difficult for them in disseminating the information about the BC model.
  - *No other benefits, except saving products:* The BCs expressed that the villagers didn't show much interest as the BC model promotes only savings and withdrawals but not other products like loan availability.

- *Negative feedback by village elders:* Few BC faced the problems of de-motivation by the village elders.
- *Inability of BCs in answering the queries of villagers:* During BCs' meeting with the villagers, they encountered lot of questions such as i) what is the rate of interest on savings? ii) Would you issue pass books to A/c holders? Iii) What type of loan product do you offer? Iv) Do you provide ATM cards? V) What is the maximum cash limit for withdrawals, vi) How would you manage transactions in the absence of electricity? The study team has observed that the BCs have failed in convincing the villagers by giving right information, as they don't have sufficient information on it.

In conclusion, the awareness of BCs and A/c holders on BC model is limited as the process is still in the commencement phase due to varied reasons. The participation of banks, TSPs and business correspondents in creating awareness among villagers on BC model is minimal. There is no enough backing of BCs by the banks and TSP in creating awareness. The BCs have reported variety of problems and issues encountered in awareness creation relating to attitude of villagers, support from bank and TSP, and BCs' awareness levels & capacities in community mobilization.

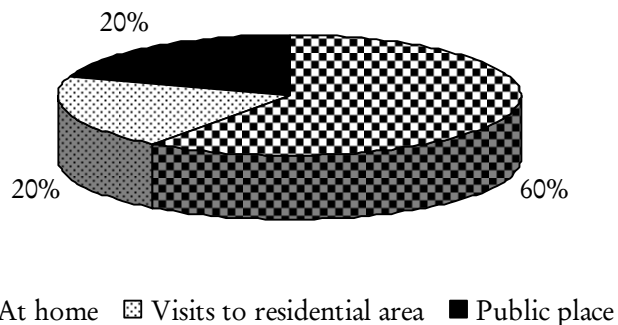
## Functioning of Business Correspondent Outlet

The present chapter mainly focuses on the office of the business correspondent or CSP, kind of technology used, honorarium and commission, volume of business and opinion of account holders on the functioning of BC outlet /CSPs. Firstly, it talks about the location of the CSP/BC outlet and extent of accessibility to the account holders. Does CSP/BC outlet and the BCs accessible? Secondly it discusses about the technology devices in used by the CSP/BC outlets and the problems and issues related to it. Thirdly, it highlights does the BCs getting decent honorarium & commission by generating significant volume of business or not? And finally, it discusses about the opinion of account holders on functioning and various financial services that have been availed through CSP/BC outlet.

### 4.1 Office of the Business Correspondent

**4.1.1 Location:** Of the 100 sample BCs, about 60 percent have been running their operations at their home, 20% are at public places and the remaining 20% visits A/c holders' residential area once in the morning and/or evening about two/three hours in a day (see fig-4.1). During individual interactions, many A/c holders have reported the difficulties being faced as i) location of BC, ii) space within the house, iii) caste hierarchy, iv) political issues etc., causing inconvenience to the account holders in accessing BC services, which in turn affects the business of the BCs. In this regard, District Collector of Nellore had issued a circular to the MDOs to allot space/work station in office premises for BCs.

Fig-4.1: Location of BC Activities



**4.1.2 Display of sign boards:** About 58 out of 100 sample BCs displayed sign boards and other material supplied by the TSP and /or bank. However, the percentage of BCs of AB displayed sign boards is low compared to SBI and SYB. It is because of proactive role of Financial Inclusion Cell of SBI, and the Indian Grameen Service/Sub-K, the TSP of SYB in Anantapur and Kurnool.

**4.1.3 Working hours:** The working hours of BCs and the amount of time investing are flexible. Some are working in the morning hours; some are working at evening; some are working between 8 am and 8 pm; some are working as per the timings of supply of electricity; and any time in case of emergencies. Hence, most of the BCs have a feeling that it is a full-time job. On an average BC attends 4.5 hours to BC activities in a day.

## 4.2 Technology based devices

According to RBI guidelines the banks should adopt technology-based solutions for managing the risk, besides increasing the outreach in a cost effective manner. The transactions should normally be put through ICT devices (handheld device/mobile phone) that are seamlessly integrated to the core Banking Solutions (CBS) of the bank. The transactions should be accounted for on a real time basis and the customers should receive immediate verification of their transaction through visuals (screen based) or other means (debit or credit slip).

*4.2.1 Details of technology devices & accessories:* The banks and/or technology service providers (TSP) have provided necessary paraphernalia to BCs to carry out the functions. In this regard, Syndicate Bank has extended personal loan facility to pay the deposit for procuring Integrated Voice Recording System (IVRS) mobile and Point of Sale (PoS) machine, and to pay deposit for 'floating money'. Where as, SBI has extended personal loans to those BCs requested credit facility for buying necessary equipment. The Bartronics, the agency that provide technology services to the Andhra Bank not that particular in collecting deposit of Rs. 5000 to Rs. 10000 as advance to deliver PoS machine. The provision of extending personal loans to BCs for procuring equipment has mixed implications on banks, TSPs and business correspondents. Table-4-1 gives the details of support extended to BCs by the banks/TSPs in procuring the tool kit.

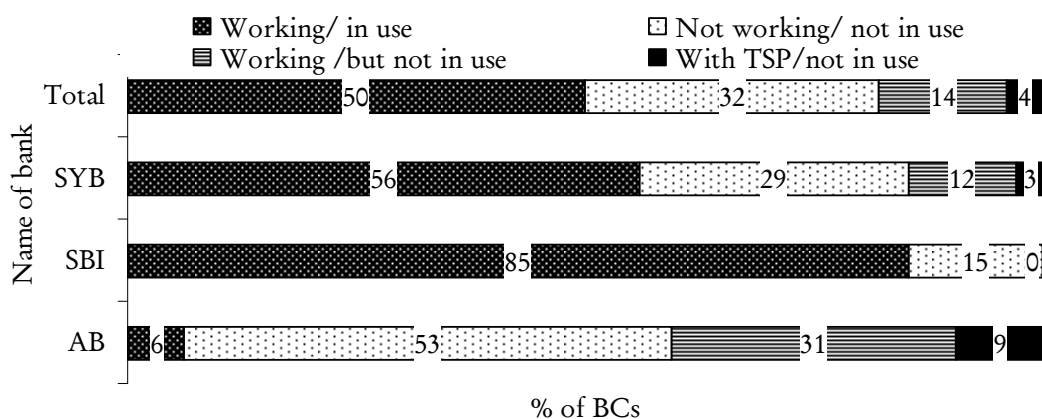
**Table-4.1: Banks/TSPs Support to BCs in Procuring Paraphernalia**

Particulars	Andhra Bank	State Bank of India	Syndicate Bank
1. Computer	Provided at the beginning to create data base of the members; later collected from BCs	Provided personal loans of Rs. 40000 to buy the system and necessary accessories	Not provided at any point of time
2. PoS Machine	Provided with or without payment of collateral; however asked collateral of Rs. 5000 to 10 000	Not using this technology	Using PoS machine as alternative model, where the IVRS created problems
3. IVRS- Mobile	Not promoted IVRS mobile technology	Not promoted IVRS mobile technology	Provided personal loans of Rs. 10000 to pay TSP as collateral
4. Battery	Provided along with computers to avoid electricity problem	Not applicable	Not applicable
5. Web camera	Procured by BCs		
6. Finger Prints collection equip.	Not applicable	Procured by BCs	Not applicable
7. Printer	Procured by BCs	Not applicable	Not applicable

8. Sign Board	Supplied on free of cost	Supplied on free of cost	Supplied on free of cost
9. Identity cards	Identity cards	Identity cards	Identity cards
10. Accounting books	Cash book and General note book	Cash book	Cash book and General note book

4.2.2 *Training on usage of device:* The technology service providers of sample banks have been organized 2/3 day training programme to BCs, mostly at district head quarters on the usage of tool kits –computer, PoS machine, finger prints collection equipment, web camera, net connection, printing of vouchers/receipts, sending SMS, usage of smart cards etc. The sample BCs has received training on the usage of tool kit immediately after their joining.

Fig-4.2: Bank-wise Working Condition & Usage of Devices



4.2.3 *Working condition of the devices:* The data in fig-4.2 shows that of the 100 tool kits used by the BCs, about 64 percent are in working condition. However, about 14 percent are working but not in use. About 36 percent of tool kits are not in working condition. It tells that about half of the apparatus are not in use. Interestingly, about 94% and 44% of the devices used by the BCs of AB and SYB respectively are not in use. It is because there are no transactions from the last six months as there is no service from Bartronics, the TSP of AB in all the three study districts and of SYB in Nellore district. About 15% of devices of BCs of SBI are not working. It is because of the issues like electricity problem, internet & connectivity, wrong handling of devices etc.

### 4.3 Honorarium and commission

The banks may pay reasonable commission/fee to the BCs, the rate and quantum can be reviewed periodically. The agreement with the BC should specifically prohibit them from charging any fee to the customers directly for services rendered by them on behalf of the bank. Commission structure or incentive mechanism should be devised in a manner that mere increase in the number of clients served or the transaction volume does not drive the commission. The remuneration should combine fixed and variable parts dependent, inter-alia, on some indication or measure of customer satisfaction. Some part of the variable remuneration could be deferred or clawed back in case of deficiency of service (RBI, 2010).

4.3.1 *Honorarium:* The amount of honorarium and commission are different from bank to bank. Andhra Bank pays fixed amount of honorarium, and commission on the basis of volume of business. Where as, Syndicate bank pays only commission based on the performance, but no honorarium. But, State Bank India pays fixed amount of honorarium linked to minimum number of mandatory opening of accounts, and commission on the basis of volume of business. The details of honorarium and commission pay to BCs by various banks are given below.

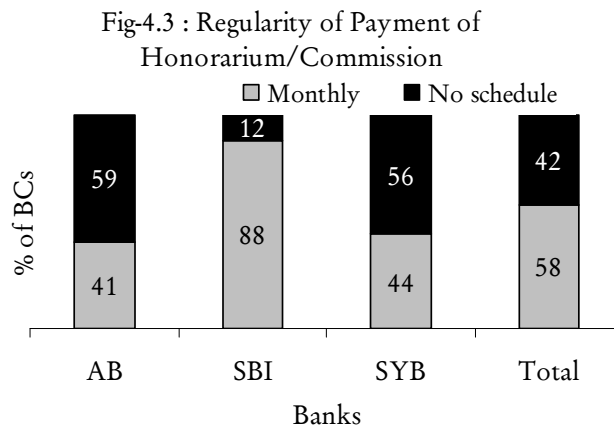
<u>Particulars</u>	<u>Andhra Bank</u>	<u>State Bank of India</u>	<u>Syndicate Bank</u>
1. Honorarium	Rs. 500 per month	Rs. 2000 per month; Opening of 25 accounts is must to draw the amount	No honorarium; Only commission; Maximum of 4 transactions per month
2. Commission			
2.1 Account opening	Rs. 7 per form	Rs. 30 per form	Rs. 7 per form
2.2 Transactions			
a. Deposits			
Rs. > 100	No	No	0.5 percent
Rs. 100 – 500	No	No	1.0 percent
Rs. 500	No	No	1.5 percent
Rs. < 1 lakh	0.8 percent	No	No
Rs. 1 - 2 lakh	1.0 percent	No	No
Rs. 2 - 3 lakh	1.2 percent	No	No
Rs. > 3 lakh	1.4 percent	No	No
b. Withdrawals			
Rs. < 100	No	No	0.5 percent
Rs. 100 – 500	No	No	1.0 percent
Rs. > 500	No	No	1.5 percent
Rs. < 2500	No	5%	No
Rs. 2500 – 10000	No	Rs.12	No
Rs. < 1 lakh	0.8 percent	No	No
Rs. 1 - 2 lakh	1.0 percent	No	No
Rs. 2 - 3 lakh	1.2 percent	No	No
Rs. > 3 lakh	1.4 percent	No	No
c. Fund Transfers			
Rs. < 500	No	No	1.5 percent
Rs. > 500	No	No	2.0 percent
Rs. < 1000	No	05.0 percent	No
Rs.1000 – 5000	No	10.0 percent	No
d. Top Up (one recharge)	No	No	0.5 percent
e. Balance Inquiry:	No	No	0.5 percent; first three inquiries free
f. Recurring Deposit	No	No	1.5% after 3 months



3.3 Loan facilitation	No	1.0 percent on gold No loan per client, if the loan exceeds Rs 1 lakh.
3.4 Loan recovery	No	1.0 percent on No NPA loans

4.3.2 *Periodicity of payment:* The data in fig-4.3 shows that the honorarium is paid on monthly (58%) followed by no schedule / irregular (40%) and quarterly (2%). However, most of the BCs of SBI are getting monthly honorarium (88%) followed by no schedule /irregular (12%). But majority of the BCs of AB (53%) and SYB (56%) have been getting honorarium and or commission irregularly than monthly or on regular schedule. It is because in case of SBI, the bank itself pays honorarium directly to the BC; where as in case of AB and SYB, the technology service provider would pay the honorarium as the BCs was appointed by TSP. It illustrates that monthly payment of honorarium and /or commission to the BCs is one of the pertinent issues that influence the functioning of BCs.

4.3.3 *Amount paid so far:* The amount of total honorarium and/or commission has been received by the BCs so far varies between no payments to Rs. 80,000 with an average of Rs. 13609. Further, about 13 percent of BCs received not even a rupee since joining. The average amount received by the BCs of SBI is far high (Rs. 31994) than the BCs of AB (Rs. 4031) and SYB (Rs. 5181). Further, majority of the BCs have expressed that the there is no schedule (82%) for the payment of honorarium and /or commission. However, many BCs of SBI (44%) have expressed that they are getting honorarium and/or commission regularly compared to the BCs of AB (9%) and SYB (0%) see table-4.2. It is because of irregular payments by the TSPs (Bartronics and Sub-K/IGS) of AB and SYB.



4.3.4 *Opinion on honorarium and/or commission:* The data in table-4.2 shows that majority of the BCs have expressed an opinion that the amount of honorarium paid at present is very small (59%) followed by small (36%) and moderate (5%). It explains the disappointment of BCs on the amount of remuneration that they are paid for their services at present. During individual interactions with BCs, the study team has observed that the irregular payment of remuneration/honorarium also mounted dissatisfaction among the BCs.

The study has collected the opinion of BCs on the *ideal amount of honorarium and/commission*. During interactions, it was proposed by the BCs that there should be a fixed amount which ranged between Rs. 1000 -6000 with an average of Rs. 3950 per month irrespective of the amount of business besides a commission ranged between Rs. 1000 -3000 based on performance. Further, the team also observed that the BCs didn't have clarity on

how the honorarium and the percentage of commission to be paid on various kinds of BC services. But most of the BCs have an expectation of Rs. 4000 – Rs. 6000 of fixed amount as salary and commission per month as they are thinking that it is a full time activity and the burden of maintenance charges.

Particulars	Opinion	Name of the bank			Total (N=100)
		AB (N=32)	SBI (N=34)	SYB (N=34)	
a. Timeliness of payment	1. Regular	9.4	44.1	0.0	18.0
	2. No schedule	90.6	55.9	100.0	82.0
b. Size of honorarium	1. Very small	62.5	44.1	70.6	59.0
	2. Small	34.4	47.1	26.5	36.0
	3. Moderate	3.1	8.8	2.9	5.0

4.3.5 *Maintenance Charges:* The maintenance charges include electricity, repairs of computer and printer, net connection, SMS and telephone charges, stationary and local fare to attend the reviews held at mandal/bank branch level. During interactions, the BCs have reported that the maintenance charges are burdensome to them besides irregular and no payment for their services. The district-wise details of maintenance charges paid by banks/TSPs are given below.

<u>Particulars</u>	<u>Andhra Bank</u>	<u>State Bank of India</u>	<u>Syndicate Bank</u>
1. Computer – includes electricity and repairs	No provision	No provision	No provision
2. SMS charges	No provision	No provision	No provision
3. Telephone charges	No provision	No provision	Agreed to pay but at the beginning but not paying
4. Net connection	Not applicable	No provision	Not applicable
5. Stationary	Supplied cash book and general ledger book	Supplied cash book and general ledger book	Pass books supplied only in Anantapur
6. Local travel to attend reviews	Agreed to pay at the beginning but not paying; Calling BCs to banks on the name of review instead of making visits to BCs by the bankers and TSP	Not paying; Calling BCs to banks on the name of review instead of making visits to BCs by the bankers and TSP	Not paying; Calling BCs to banks on the name of review instead of making visits to BCs by the bankers and TSP

#### 4.4 Issues and problems related to infrastructure and technology devices

During interactions, the BCs have accounted the following problems related to procurement of infrastructure and problems related to technology devices such as computer, PoS machine, IVRS and other accessories.

4.4.1 *Issues related to infrastructure:* The BCs have reported the issues related to infrastructure as follows:

- i) *Sign boards not provided:* Few BCs didn't get their sign boards and few other BCs' boards got spoiled. Hence, they gave the boards back to the TSPs/bankers for replacement
- ii) *Stationary not providing:* The expense for stationary is borne by the BCs. They expressed that minimum stationary should be provided, so that the BCs will maintain minimum records of clients' database and other transactions.
- iii) *Furniture:* The BCs said that chairs and fans to host the a/c holders is very costly and should be provided by the bankers/TSPs.
- iv) *Location problem:* The BCs who run the CSP in their houses expressed that their family members face disturbance and feel congested. Few BCs, who run the CSPs in public places (especially in temples), face disturbances during festival seasons.
- v) *Costly equipment:* The equipment used is either bought by the BCs or taken by depositing huge amount at the TSP.
- vi) *High electricity charges:* The BCs said that the expenses towards electricity charges are high and borne by the BC
- vii) *Internet charges:* The BCs expressed that the internet charges are very high and are not affordable to the BCs
- viii) *Transportation:* The BCs said that the fuel charges to go to the Bank are very expensive.
- ix) *Loans at high interest rates to the BCs:* The BCs said that the banks gave loans to the BCs to buy required equipment to run the CSP at a very high rate of interest.
- x) *Connectivity problem:* The BCs expressed that they regularly face connectivity problem which results in disruptions in transactions.
- xi) *Machine errors:* The BCs said that the equipment given to the BCs has many errors, which include failed software and machines under continuous repair.
- xii) *Electricity shortage:* The main problem as expressed by the BCs is severe electricity shortage.

4.4.2 *Problems with the devices:* The BCs have reported the following problems in procuring the technology devices & accessories and the problems in using them.

- i) *Machine blocked by the TSP:* The BCs of Bartronics said that the TSPs blocked the PoS machine and didn't allow the BCs to do any transactions. Few BCs also said that when they phoned the Bartronics firm, they told them to stop the transactions. The PoS machines of few BCs were taken back by the TSPs

- ii) *Computer repair:* The BCs expressed that the maintenance of computer to run the CSP is very expensive.
- iii) *Software and Machine errors:* The BCs faced many problems in using the devices in terms of display errors, delay in processing the transactions, printer problem, errors in showing the balance in the accounts, etc. Few of them said that the machine stops and shuts down in the middle of the transactions. Hence few of them suggested a thorough training on the usage of devices. The voice identification software used by the Sub-k also has many problems. The machine should be used very carefully without any disturbance for the device to grab the voice of the account holder.
- iv) *Finger print machine problem:* The BCs told that they face many problems with the finger print machine as the machines show many errors in authenticating the account holder.
- v) *Printer problems:* The BCs expressed that the balances were not shown correctly on the print outs and few BCs have machine repairs from the beginning.
- vi) *Internet connectivity:* The foremost problem as mentioned by many of the BCs is internet connectivity.
- vii) *Electricity problem:* The BCs said that they are unable to perform smoothly due to regular power cuts
- viii) *High maintenance cost:* The BCs reported that the maintenance cost incurred during their operations is very high when compared to their commission earned and work done. Few BCs failed to deposit Rs. 5000 to avail finger print machine

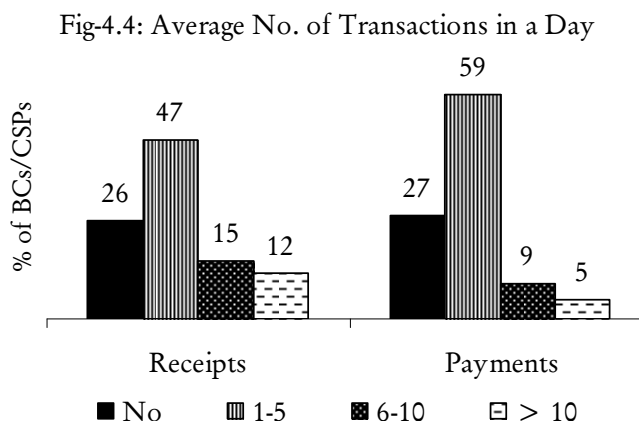
4.4.3 *Problems reported by the banks/TSP:* In addition to the problems reported by the BCs and account holders, the banks/TSPs reported the following issues relating to technology devices, opening of an account and cash limits.

- i) *Institutional and functional linkages between bank, TSP and BC:* There is no functional relationship between Banker & TSP and Bank & BC in case of Andhra Bank and Syndicate Bank. The BCs didn't report any progress or problems with the Bankers. There is no relation between TSP and bank at village level.
- ii) *Quality of the BCs and TSPs:* The bankers are of the view that the BCs and TSPs are poor in terms of quality of work and in building the trust among the account holders or the villagers
- iii) *Delay by TSP:* TSP take a lot of time in giving an identity number to the application of NF a/c, hence there is a too much delay in opening of accounts.
- iv) *Meager amount of commission:* The commission and honorarium paid to the BCs is very meager. Even the local transportation problems should be borne by the BCs
- v) *No handholding support to BCs:* No handholding support to BCs on banking services from the bank and TSPs. Monitoring is not done properly by the TSPs and/or banks.
- vi) *Turnover of staff at mandal level appointed by the TSPs:* There is a high turn over of the staff appointed by the TSP at mandal level to provide handholding support to

BCs. None of the staff is working for more than three to four months as there is no regular payment and low amount of salaries.

#### 4.5 Volume of transactions

4.5.1 *Average number of receipts and payments:* The data in fig-4.4 shows that nearly one half of the CSPs/BC outlets, on an average there are 1-5 receipts in a day followed by 6-10 (15%) above 10 (12%) receipts; interestingly, about 26% of BCs reported not even a single receipt since inception. The highest percentage of BCs in Nellore has reported no receipts compared to Kurnool (28%) and Anantapur (11%) districts. Regarding number of payments in a day, majority of the BCs have reported 1-5 payments followed by above 5 (14%) payments. About 27% of BCs



have reported not even a single payment. Interestingly the percentage of BCs reported 1-5 average no. of payments in a day is more in Anantapur (67%) compared to Kurnool (56%) and Nellore (52%) districts. It is due to stoppage of CSP operations as the TSPs have been failed in providing technology services. Thus, many BCs repaid deposits through off line transactions. The average no. of receipts & payments in a day illustrates the low transactions and business of BCs through CSPs/BC outlets.

4.5.2 *Cash limits for receipts and payments:* The cash limits for receipts and payments vary from bank to bank. The details are as follows:

Particulars	Andhra Bank	State Bank of India	Syndicate Bank
1. Receipts			
1.1 Lower limit Rs.	10	100	50
1.2 Upper limit Rs.	1000	10000	2000
2. Payments			
2.1 Lower limit Rs.	10	100	50
2.2 Upper limit Rs.	1000	10000	2000
3. Floating money	20000	Min Rs. 20000	10000
4. Cash in hand	10000	Not fixed	10000

To assess the volume of business/transactions, the study team has collected the lower and upper amounts that the majority of A/c holders deposit/receipt and withdraw /payment in a CSP. There is a little difference in the average size of lower limit of amount of receipts (44%) and payments (Rs. 54); but there is no difference in the average size of upper limit of amount of receipts (Rs. 3365) and payments (Rs. 3365). Further there is a significant

difference between lower and upper amounts of receipts and payments between the sample banks. The data in table-4.3 shows that the average size of a transaction includes both lower and upper limits of receipts and payments by the SBI account holders are high when compared to SYB and AB. It shows that the average size of receipts and payments influenced by the lower and upper cash limits imposed by banks.

S. No.	Particulars	Name of the bank			Total
		AB	SBI	SYB	
1	Lower limit				
1.1	Receipt in Rs.	15	58	55	44
1.2	Payment in Rs.	33	71	54	54
2	Upper limit				
2.1	Receipt in Rs.	628	8382	926	3366
2.2	Payment in Rs.	625	8382	926	3365

*4.5.3 Turn over during the last six months:* The sample BCs have made a turnover of Rs. 90.17 lakh with an average of Rs. 90171, Rs. 15029 and Rs. 501 per CSP, per month and per day respectively. The low turn over during the last six months by a CSP is because of no or less turnover reported by majority of the CSPs. About 45% have reported 'zero' turn over followed by more than one lakh (21%), less than Rs. 50000 (26%) and Rs. 50000-100000 (8%). This is also one of the reasons for reporting less honorarium and /or commission by the BCs.

*4.5.4 Average amount of balance in the SB account of CSP A/c holders:* The 195 sample A/c holders have a balance amount of Rs. 1.91 lakhs with an average of Rs. 984. The

S.No.	Amount in Rs.	Name of the bank			Total (N=195)
		AB (N=63)	SBI (N=68)	SYB (N=64)	
1	Zero	54.0	16.2	35.9	34.9
2	Up to 100	22.2	20.6	17.2	20.0
3	101 – 500	15.9	14.7	15.6	15.4
4	501 – 1000	4.8	7.4	9.4	7.2
5	> 1000	3.2	41.2	21.9	22.6
	Total	100.0	100.0	100.0	100.0

Balance amount varies from 'zero' to Rs. 15000. However, majority of the A/c holders have a balance of less than Rs. 100 (55%); but about 23% of A/c holders have a balance of more than Rs. 1000. The average balance in SB accounts of SBI A/c holders is high with Rs. 1745 compared with SYB (Rs. 973) and AB (Rs. 175) A/c holders. The data in table-4.4 shows that of the 63 AB A/c holders majority have zero balance in their SB accounts; where as many SBI A/c holders have a balance of more than Rs. 1000. It could be because of cash limits on receipts and payments of the 'no frill' accounts and multiple accounts in the households and major transactions from SB account in bank branch.

4.5.5 *Types of financial services offered through CSPs:* Besides deposit and withdrawal of savings the other financial services like small value deposits, receipt & delivery of remittances, sale of micro insurance products and disbursal of small value credits/loans were offered to the A/c holders by the BCs through CSPs. However, few BCs have extended different financial services through CSPs to limited number of A/c holders. And most of the financial services other than deposit and withdrawal of savings have been offered by the kiosks of SBI.

**Table-4.5: Details of Financial Services Offered through CSPs/BC Outlets**

S. No.	Financial services	% of CSPs	Accounts		Amount	
			Sum	Mean	Sum	Mean
1	Small value deposits	25	739	30	1583200	63328
2	Receipts and delivery of remittances	17	627	37	923400	54318
3	Sale of micro insurance products	10	200	20	210500	21050
4	Disbursal of small value credit/loans	2	25	13	250000	125000

The data in table-4.5 shows that 25 out of 100 sample BCs have promoted small value savings of Rs. 15.83 lakh with an average of Rs. 63328 and Rs. 2142 per CSP and per A/c holder respectively. About 17% of CSP have disbursed remittances of Rs. 9.23 lakh with an average of Rs. 54318 per CSP and Rs. 1473 per A/c holder. About 10% of BCs sold micro insurance products of Rs. 2.1 lakh with an average of Rs. 21050 to 200 A/c holders with an average of Rs. 1053 per A/c holder. Only two BCs provided small value credit of Rs. 2.5 lakh to 25 A/c holders with an average of Rs. 10000 per A/c holder. Further, most of the CSPs offering financial services other than deposit and withdrawal of savings are of SBI followed by few SYB CSPs in Anantapur district.

#### **4.6 Opinion of Clients on BC functioning**

4.6.1 *Voucher to transaction:* Of the 195 sample account holders, about 31% have not done any transactions since opening of the account. Of the 69% account holders, who have been operating their accounts, 53 percent of account holders received vouchers and the remaining 15% of account holders have not received vouchers for their transactions. During interactions, the account holders have said that there is no proof in the form of vouchers/counterfoil/maintenance of pass books etc, for the transactions made by them. Hence, many are hesitating to operate their accounts.

4.6.2 *Deposits/withdrawals without receipt:* Of the 69% of account holder, 16% have deposited/withdrawal the money without any receipt from the BCs. During interactions, the account holders have reported the reasons for it as i) no electricity to get the receipt, ii) printer problem, iii) faith on BC, iv) busy with the work and v) not interested on receipt.

4.6.3 *Off-line transactions:* About 8% of the account holders have made offline transactions due to internet connectivity problem for the withdrawal of money to meet emergency expenses such as medical expenses and to meet the travel expenses in attending a funeral.

4.6.4 *Availability and accessibility of BC during working hours:* About the availability and accessibility of BC, majority of the account holders have said ‘available’ (68%) followed by ‘don’t know’ (24%) and ‘not available’ (8%). It is because of operation of only one account in preference to multiple accounts of household members.

Table-4.6: Accounts Holders’ Perspective on BCs Functioning					
S. No.	Particulars	ATP (N=72)	KNL (N=64)	NLR (N=59)	Total (N=195)
A	Voucher to each transaction				
1	No transactions	16.7	42.2	35.6	30.8
2	Yes	61.1	42.2	57.6	53.8
3	No	22.2	15.6	6.8	15.4
B	Transactions without receipt				
1	No transaction	16.7	42.2	35.6	30.8
2	Yes	23.6	17.2	6.8	16.4
3	No	59.7	40.6	57.6	52.8
C	Off-line transactions				
1	No transactions	16.7	42.2	35.6	30.8
2	Yes	9.7	10.9	3.4	8.2
3	No	73.6	46.9	61.0	61.0
D	Availability & Accessibility of BC				
1	Don’t know	15.3	32.8	25.4	24.1
2	Yes	76.4	54.7	71.2	67.7
3	No	8.3	12.5	3.4	8.2
E	BCs response to Account holders’ queries				
1	Not approached	16.7	34.4	27.1	25.6
2	Yes	77.8	54.7	67.8	67.2
3	No	5.6	10.9	5.1	7.2
F	Complaints against BC				
1	Yes	2.8	1.6	0.0	1.5
2	No	97.2	98.4	100.0	98.5

4.6.5 *BCs response to account holders’ queries:* Majority of the account holders have said that the BCs attend the queries of account holders. On the other hand, little more than one quarter of account holders said that they have not approached BCs. Again it is due to the use of single account instead of multiple accounts of the household members.

4.6.6 *Complaints against BCs:* Except three out of 195 account holders made complaints against BCs to the bank branch manager towards the collection of additional charges for pass book and under reporting in the pass book entries.

4.6.7 *Payments made for BC services:* Regarding payments to BCs, 9 out of 195 account holders have paid an amount of Rs. 10 to Rs. 60 for processing of application to open the account; and only 4 out of 195 account holders have paid Rs. 10 to 20 for smart card. No



account holder has paid any other charges other than the above. It indicates that the BCs are not collecting any fee or charge for the services rendered by them.

In conclusion, the location and the working hours & environment are not in access to majority of the account holders due to varied factors. The sample banks have provided the technology devices/tool kits to BCs on payment of prescribed deposit amount. Personal loans were extended by the banks to BCs, who requested for financial assistance to procure the device and necessary accessories. All the TSPs (Bartronics, IGS/Sub-K, and FIC-SBI) of the sample banks have provided trainings to BCs on the usage of technology devices/tool kits. Majority of the devices are not in use due to failure of TSP in providing quality services in maintaining the device/tool kit. Consequentially, there are no on line transactions from the past six months; further, it also led to many impediments.

Most of the BCs are unhappy with small amount of honorarium and commission, and no on time payment. The volume of business generated by the BCs is negligible as the kind of services provided through BC outlet/CSP is limited – deposit and withdrawal of savings. Nevertheless, about one-third of account holders have not been accessing any kind of services through BCs, which is critical for the success of the BC model. Based on the opinion of A/c holders, the performance of most of the BCs is good in terms of observance of systems, availability and accessibility and the complaints against BC.

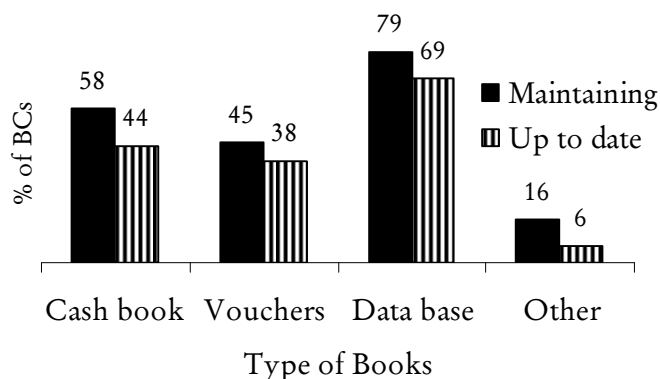
## Chapter-5: Risk Management

To avoid risk, manage information system, safe guard the interest of account holders, banks and/ or TSPs have formulated certain measures to mitigate the risk and for the effective implementation of the programme by corrective measures. The risk mitigation measures include maintenance of proper records, data base and organizing review meetings and providing technology devices on cost basis etc. The study team has collected information on those risk reduction measures and grievances and redressal mechanisms being followed by the banks, TSP and BCs at various levels. Besides, the team also collected information on how would the banks/TSPs solving the problems complaints from BCs/account holders for the effective implementation of BC model.

### 5.1 Data base and Record Keeping

**5.1.1 Book Keeping:** The BCs are likely to maintain three types of books- i) cash book, ii) vouchers and iii) data base of account holders. The data in fig-5.1 shows that majority of the BCs have been maintaining data base of the account holders (79%); about 58% have been maintaining cash book; and about 45% have been maintaining vouchers. Regarding up-dation, 44 out of 58 BCs maintaining cash book are up to date; 38 out of 45 BCs who were maintaining vouchers are up to date; and 69 out of 79 BCs, who were maintaining data base are up to date. It shows that about 75-85 percent of BCs who have been maintaining various types of books are up to date in information. It is because of high educational levels of BCs.

Fig-5.1: Book keeping and Updation



**5.1.2 Vouchers/receipt giving:** As per the guidelines, the BC have to give receipt acknowledging each transaction to A/c holders. The data shows that more or less one half of the BCs of sample banks have not been giving the receipts during deposit or withdrawal. Of the three sample banks, low percentage of BCs of SYB have provided receipts for each transaction followed by AB (56%) and SBI (62%). During discussion, the BCs have reported the reasons for it as off line transactions and recording in the cash book or in the general transactions book. Another reason is that the IGS/Sub-K, the TSP of SYB in Anantapur and Kurnool, instead of vouchers, entered in individual saving pass books supplied by the Syndicate Bank, and there is no provision of generating a receipt in IVRS technology.

5.1.3 *Problems in maintenance of records and data base:* During individual interactions, the BCs have reported the problems related to maintenance of cash book, vouchers and offline transactions as follows.

- i) Issues in maintaining cash book:
  - *There is no provision of cash book:* Few BCs don't have manual cash books but they are maintaining computerized financial statements.
  - *No transactions-no cash books:* Few BCs didn't have single deposit and or withdrawal. Hence they are not using the cash books
- ii) Issues in maintaining clients' database:
  - *Registers not supplied:* Especially SBI gave a register to its BCs to maintain the database. Few BCs are maintaining the clients' database though the registers were not provided for them.
  - *No hard copies only soft copies:* Few BCs don't have manual records but maintain computerized database of clients' details. Few BCs said that they have submitted the records to the bankers and TSPs
  - *De-functioning of BCs:* Few BCs who stopped there operations completely are not maintaining any data base of the client's details.
  - *No provision of data base:* Few of the BCs said that they were not told to maintain such database and few of the BCs failed to maintain the record.
- iii) Issues related to vouchers:
  - *Demand for bank receipt:* The BCs told that the clients demand for a formal bank receipt of deposits and withdrawals
  - *No vouchers for offline transactions:* the BCs did not issued vouchers for offline transactions due to electricity problem, emergency transactions, but they have made entries in the cash book/note book and collected signature from the A/c holders.
  - *Internet problem:* The BCs said that they are not giving the vouchers due to internet connectivity problem
  - *Machine errors:* The BCs reported that the PoS machine show many errors in the transactions and hence they didn't give vouchers
  - *Printing is an expensive affair:* Few BCs feel that giving print outs for every small transaction is very costly.
  - *Printer under repair:* The BCs noted that the printing devices are frequently under repair.

5.1.4 *Off line transactions:* During individual interactions, the BCs have mentioned the following problems while offline transactions:

- i) *Electricity and internet connectivity:* The BCs said that the main reason for offline transactions is due to electricity problem in the villages. Hence the BCs make entries in a separate note book to encounter such problems.

- ii) *Collect smart cards:* Sometimes, in the absence of electricity and during emergencies, few of the BCs take the signature of the clients on a manual receipt and in few cases, they keep the smart cards of the account holders before they give the amount and withdraw the same amount and updates the transactions of the account holders, when the power comes back.
- iii) *Entry in cash book:* Few of the BCs also make the entries in cash books and few BCs in pass books of the account holders and few in a sheet given by the TSP.
- iv) *Transactions at bank branch level:* At times, the BCs take the clients to the bank to withdraw money during emergencies.

5.1.5 *Other consumer protection measures:* The banks and or the TSP on behalf of banks have taken some measures to protect the interest of the customers. Some such safeguards followed by the banks are discussed below.

- i) *Introduction of BC to the members in public meetings:* The sample BCs were introduced to the community by the bank officials or the TSP in the presence of key persons of the village in the public meeting to avoid misrepresentation or impersonation.
- ii) *Posting of a signage:* Majority of the BCs have posted sign boards indicating the name of the BC, name and telephone number of the base branch and TSP and fees for all services available at the outlet.
- iii) *Brochure on the charges for offering various services:* Very few BCs have the brochure indicating the charges for various services made available at the outlet. However, in most of the SBI-outlets the brochures are available with the BCs.
- iv) *Social audit:* As a measure of social audit, there could be periodic mandal level meetings where members of public are invited along with the BCs, operating in the area and also the linked branch managers to express their difficulties and to obtain feedback. Lead District Manager (LDM) of the bank could attend such meetings in the district to get a direct feedback and provide such feedback to the controlling offices. There is no such mechanism in any of the three sample study districts.
- v) *Training modules in local languages:* No bank has developed material /training modules in the local language in order to provide proper attitudinal orientation and skills to the BCs.
- vi) *Redressal of grievances:* In majority of the bank branches there is no/poor Grievance Redressal Machinery within the bank for redressing complaints about services rendered by the BCs and give wide publicity about it through electronic and print media.

## 5.2 Review Mechanism

5.2.1 *No. of visits made to BCs:* The data shows that the TSPs didn't visited majority of the BCs not even once (54%) followed by 1-5 visits (25%) and 6 -15 visits (21%). Similarly, the banks also not visited majority of the BCs not even once (70%) followed by 1-6 visits (30%). It also reveals that the banks visits by BCs are very low compared to TSP. It signifies that there is a poor monitoring mechanism on the CSP activities by the banks and TSPs from the last six months.

5.2.2 *The purpose of visits:* The purpose of visits made by the TSPs and banks are as follows:

- i) to open accounts by motivating and mobilizing the villagers;
- ii) to create awareness among the villagers on CSP activities/services;
- iii) to introduce BC to the community by the banks and / or TSP;
- iv) to repair the devices or tool kit – computer, PoS machine, printers, IVRS etc;
- v) to distribute smart cards to the BC accounts holders in a public meeting;
- vi) to review the progress of CSP activities; and
- vii) to accompany the visits of higher officials to the BCs.

5.2.3 *Places of review:* The data shows that out of 43 BCs, majority of the BCs reviewed by TSP are at BC out let followed by SSC/CSP at mandal head quarters and over phone. Out of 31 BCs, majority of the BCs reviewed by banks are at BC outlet followed by CSP/Mandal headquarters banks and over phone. It is interesting that the bank officials call BCs to bank for review than visiting BC's place, but not paid the travel expenses. Hence there is a financial burden on BCs.

5.2.4 *Points for review or discussion:* Following are the points discussed during the meetings:

- i) *Awareness creation:* Few BCs have requested the bankers to support them in creating awareness in the village about BC operations. The BCs have asked the bankers to divert the new applicants by referring the CSP to open the accounts.
- ii) *Delay in opening the accounts:* The BCs expressed the problem of delay and rejections in opening the accounts by the bankers and TSP; consequentially delay in issuing smart cards.
- iii) *To discuss the problems faced with the devices – PoS machine, printer, internet and connectivity, smart card activation, problems in recognition of voices by the IVRS etc*
- iv) *Honorarium and/ or commission:* The BCs have asked the bankers to increase and not to delay in paying the honorarium. They have also requested the bankers to include more number of products in order to enhance their income.
- v) *Space for Customer Service Point (CSP):* One of the major problem as discussed by the BCs is lack of proper space to run the CSP. Hence they have asked for separate room for smooth functioning of the CSP.

### **5.3 The complaints & problem solving**

5.3.1 *Complaints made:* The problems and issues of BCs have been brought into the notice of banks and TSP during review meetings besides informal complaints personally or over phone. The data in table-5.1 shows that 80 out of 100 sample BCs have complained 179 times to banks or TSP. About 48 percent of BCs made complaints once or twice and the remaining 32 percent have made complaints more than twice. Majority of the complaints are given to TSP (73%) followed by banks (27%).

Table-5.1: Details of No. of BCs Given Complaints to Banks and TSPs and Status						
S. No.	Particulars	ATP	KNL	NLR	Total	%
A	Number of complaints					
1	Zero	02	05	13	20	20.0
2	1-2	23	13	12	48	48.0
3	3-4	11	14	07	32	32.0
Total		36	32	32	100	100.0
B	Complaint to whom					
1	Banks	11	15	23	49	27.4
2	TSP	52	58	20	130	72.6
Total		63	73	43	179	100.0

5.3.2 *Nature of complaints:* The complaints made by the BCs are categorized into the problems and issues related to i) opening of savings bank account, ii) devices, iii) honorarium and commission, iv) technology devices such as computer, PoS machine, IVRS, v) software, vi) maintenance charges, vii) smart cards viii) cash limits etc. The details of the complaints made by the business correspondents are given below.

1. Opening of savings bank account
  - Delay in getting account opening forms
  - Delay in opening the accounts
  - Asking the nominees in case of aged people
  - Asking for minimum balance
  - Misplacement of filled in account application forms
  - Problems in opening new accounts due to delay in opening accounts and in disbursement of smart cards
2. Accommodation
  - Space for BC operations
  - Request for display boards
  - Rent for using BC house
3. Cheques
  - Realization of cheques
4. Devices
  - Software problem
  - Computer under repair
  - PoS machine under repair
  - Virus problems
  - Deposits for issuing devices-PoS, IVRS
  - Interest on loan provided to buy computer
5. Electricity
  - Request for inverters due to electricity problems
6. Finger prints
  - Repair of the equipment
  - Un recognition of finger prints
7. Honorarium
  - Delay in paying honorarium and commission
  - Demand for enhancement of honorarium and commission
8. Interest on savings
  - Interest on members' savings in SB account
  - Interest on amount deposited to procure technology devices

- |                         |  |
|-------------------------|--|
| 9. Internet             | - Server problems- low connectivity<br>- Long hours for getting connectivity   |
| 10. IVRS                | - Repairs<br>- Problems in recognizing the voices of account holders<br>- SIM card blocked   |
| 11. Maintenance charges | - Not paying any maintenance charges<br>- Local travel to attend the review meetings   |
| 12. Meetings            | - Request for conducting awareness meeting at village  |
| 13. Pass books          | - Request for pass books to account holders  |
| 14. Printer             | - Repair /not working  |
| 15. Smart cards         | - Too much delay in getting smart cards<br>- Not in activation/problems in activation<br>- Request from account holders for ATM cards  |
| 16. Stationary          | - Request for stationary material –white papers, carbon paper, voucher printing rollers, cash books, general ledger  |
| 17. Service charges     | - Collecting huge amount of service charges  |
| 18. Transactions        | - Less amount of entries than the amount deposited<br>- Deposited in another account<br>- No priority to BCs in the bank and long hours of waiting<br>- Case limits should be higher |
| 19. Travel expenses     | - Not paid travel expenses to BC for attending the training<br>- Banks and TSP not paying local travel for attending reviews and other bank works                                    |

5.3.3 *Problem solving:* Of the total 179, only 34 percent of complaints were solved and the remaining 66 percent are not solved or in pending. Majority of the problems/issues are long pending –six months to one year. It illustrates the poor response of banks and TSPs in solving the problems and issues at various levels.

*Caste study – Negligence of bank and TSP: Parapalli Sreenivasa Rao resides in the tribal belt, Abobilam of Allagadda mandal in Kurnool district. It is a well known pilgrimage center. He runs a medical store and was appointed as a Business Correspondent in January 2011 in the same area. The main bank branch is 18 Kms far away from the village. It was told by the BC that, most of the villagers do not have bank accounts as they don't have lands to avail crop loans. Hence, the BC has submitted the filled in applications to the TSP, but the forms were misplaced by the TSP. The BC feels that the village has good business potentiality as most of the villagers are excluded from the main banking services. He has again submitted the applications but till date, not even a single account was opened in the village.*

In conclusion, BCs are poor in maintaining and up-dation of cash book and vouchers; however, good at maintaining and up-dation of data base. Nearly half of the BCs are not providing receipts authenticating the transactions of the account holders because of varied reasons- technology they are using, systems that are following and the issues and problems like electricity, off line transactions, operating the account at bank branch than at BC etc.

There is no or poor monitoring and review mechanism by the banks and TSPs on BCs activities.

Most of the BCs have brought their problems and issues to the notice of banks and TSP during review meetings, officials' visits to BC outlets/CSPs and over phone. Some consumer protection measures such as introduction of BC to the members in a public meeting, posting of a signage and brochure on the charges for offering various services were taken by some of the bank branches but not all. Most of the problems and the issues are related to payment of honorarium & commission, opening of an account & disbursement of smart cards and problems and issues in the usage of technology devices such as computer, PoS, IVRS, internet connectivity and operational issues related to transactions. The banks and /or TSPs response on complaints is minimal.



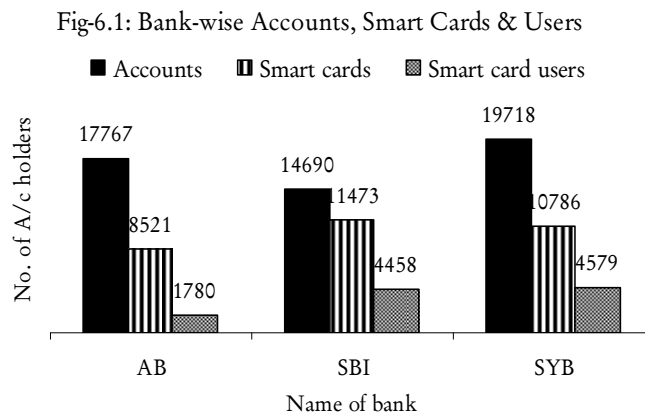
## Impact of Business Correspondents

The present chapter analyzes the changes that have been taken place at bank, household and individual levels by the implementation of banking services through CSP/BC outlet. Firstly, it discusses about the coverage of various categories of people brought into the fold of banks. Does account holders of CSP/BC outlet new to banking services or not? Why did they open account with CSP/BC outlet? How do the account holders perceiving and accessing banking services? Further, it discussed about the views of bankers on financial inclusion through BC intervention especially in reaching the un-reached, quality of services, issues and value addition to regular banking activities.

### 6.1 Accounts opened at village level

**6.1.1 No. of accounts opened in a village:** In the 100 sample BC model village, about 52175 members were enrolled at CSP with an average of 522 members per village. However, the average number of members enrolled in a village is very low in Nellore district (299) followed by Kurnool (531) and Anantapur (711). The bank-wise data shows that the average number of members enrolled in a village is low in SBI-CSP (432) followed by AB-CSP (555) and SYB-CSP (579). It is because the payment of monthly honorarium is linked to minimum number of account openings in a month; where as AB and SYB pay Rs. 7 towards opening of an account in a bank. Further, SBI has started BC model little later than AB and SYB.

**6.1.2 Number of smart cards received:** Of the 52175 members enrolled with BCs, 30780 (59%) members got smart cards with an average of 308 per village. Of the three districts, highest percentage of account holders got smart cards in Kurnool district followed by Anantapur (59%) and Nellore (51%). Fig-6.1 shows that the highest percentage of SBI-CSP A/c holders (78%) got smart cards followed by SYB (55%) and AB (48%). During interactions, the bankers have reported the reasons for disbursement of less number of smart cards as i) incomplete information, ii) applications without necessary enclosures and iii) delay in disbursement by the TSP.



**6.1.3 No. of clients operating account:** Of the total, 30780 A/c holders got smart card, and 10817 members (35%) have made transactions by using smart cards. The percentage of smart card users is high in Nellore district (44%) followed by Kurnool (37%) and Anantapur (31%). The bank data shows that the highest percentage of SYB A/c holders

have made transaction by using smart cards followed by SBI (39%) and AB (21%). Multiple accounts of household members at CSP could be one of the reasons for not using the smart card; and the other reasons is technology. For instance, the Sub-K is using both IVRS, where there is no need of smart card.

*6.1.4 The new account holders:* The BCs have opened about 52175 savings bank accounts at CSP with an average of 521 per CSP. Of the total A/c holders, 21288 (41%) already have accounts in the regular bank branch and the remaining 59% are new account holders. The data in table-6.1 shows that the percentage of new account holders is high in Kurnool (63%) followed by Nellore (62%) and Anantapur (56%). Where as of the sample banks, SBI has the high percentage of new account holders. It illustrates that irrespective of the district and bank, a good number of villagers already have accounts in the regular bank branch and opened accounts at CSP by the BCs because of varied reasons.

S. No.	Accounts	District			Bank			Total
		ATP	KNL	NLR	AB	SBI	SYB	
1	New/CSP	56	63	62	58	63	57	59
2	Bank & CSP	44	37	38	42	37	43	41
Total		100	100	100	100	100	100	100
		(25610)	(16990)	(9575)	(17767)	(14690)	(19718)	(52175)

*Note: Figures in parenthesis indicate total number of accountholders at CSP*

*6.1.5 More women account holders:* To know the gender-wise account holders, the study team has collected gender and age wise number of accounts opened in a CSP. The data shows that high percentage of accounts opened in a CSP is of women (47%) followed by men (42%) and children (11%). The percentage of women account holders is high in Nellore (50%) compared to Anantapur (46%) and Kurnool (46%) districts. It is because many SHG women opened their accounts at CSP.

*6.1.6 Multiple accounts in a household:* During interaction, the BCs have reported that, majority households opened two or more than two accounts with the household members at CSP. But only few accounts have operated regularly but not all.

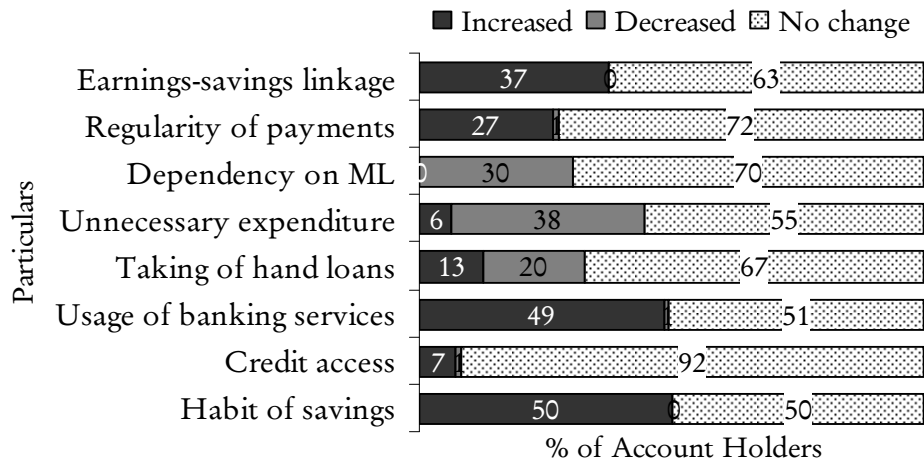
## **6.2 Impact at household level**

To assess the impact of business correspondent activities on BC account holder households, the study team has developed a three point scale – i) increased, ii) decreased iii) no change, and collected the opinion/perception of account holders on the predetermined indicators such as i) habit of savings, ii) credit access, iii) usage of banking services, iv) taking of hand loans, v) unnecessary expenses, vi) dependency on money lenders, vii) regularity of payments and viii) Earnings-savings linkage (see fig-6.2).

*6.2.1 Habit of savings:* About one half of the sample account holders said that the habit of saving has been increased due to the presence of BC in the village and another half has said that there is no change. However, majority of account holders of SBI-BCs (62%) have reported that the habit of saving has been increased. The reasons for high reporting of no

change could be irregular/de-functioning of BC from the past six months and delay in opening an account, disbursement of smart cards and the operation of transactions through BC account.

Fig-6.2: Opinion of Account Holders on the Impact of BCs



6.2.2 *Access to credit:* Most of the sample BC account holders have reported that there is no change (92%) in credit access from the formal institutions as the kind of services that the BC s are providing has been limited to deposit savings and withdrawals.

6.2.3 *Usage of banking services:* Nearly one half of the account holders have reported that there is no change and another half have reported that there is an increase in the usage of banking services compared to before opening an account with BC. Again it is because of limited financial services through BCs and de-functioning of BCs.

6.2.4 *Taking of hand loans:* Majority of the account holders have reported that there is no change (67%) in the frequency of taking hand loans to meet the contingent expenses. However, about one-fifth have reported the incidences of taking hand loans has been decreased; about 13% of account holders have reported ‘increase’ of incidence of taking hand loans; decrease is because of availability of withdrawing money from the BC account; and the increase is because of the inability to withdraw money due to technical problems such as electricity, repair of devices, internet connectivity problems etc.

6.2.5 *Unnecessary expenditure:* Though majority of the account holders have reported no change (55%) in unnecessary expense, a good percentage of account holders have reported ‘decrease’ (39%) of unnecessary expenses at the household due to depositing of earnings into their savings account.

*Case Study: Khasim Peera is 83 years old, retired railway employee. He has 3 sons and 1 daughter. He is living with his eldest son in Kunuthuru Village of Dharmavaram Mandal. After retirement, he gets Rs. 8000 per month as pension from Govt. According to their family members’ decision, he has to deposit Rs. 4000 per month on the names of his sons and the remaining amount can be used by him. So he saved his amount in the BC account and withdraws the amount for his consumption. He feels that utilization of smart card helps him to*

*withdraw limited amount according to his need. He also feel happy that the availability of banking services at the doorstep is very comfortable in his old age as he avoids going to the Dharmavaram Bank. He is very happy with BC services and he wish to take his pension in CSP.*

6.2.6 *Dependency on money lenders (ML):* Majority of the account holders have reported that there is no change (70%) in the dependency of villagers on money lenders. However, about 30% have reported that the dependency on money lenders has decreased as they have been withdrawing money from their accounts, instead of depending on money lenders.

*Case study- Savings in CSP reduces the dependency on money lenders to meet the emergency expenses: Ms. Kantamma is a resident of Navuru Village in Podalakuru mandal. She is 45 years old. Her husband doesn't go for work due to ill health. She and her son work as daily wage labourers. When Kantamma came to know about the no frill account, she, along with her husband opened accounts at the CSP/BC outlet. Later, after opening the accounts, her husband didn't bother to use the accounts, but Kantamma started saving her earnings without the notice of her husbands. Usually her husband manages money in the house and for any emergencies he borrows the money from money lenders and relatives. One day, when her husband was not in the village, Kantamma and son were supposed to attend a funeral in the nearby village. She didn't go for hand loans. She went to the CSP and withdrawn her savings amount of Rs.1000/- and happily gave that amount to her son. She said that "if I save the money in the SHG or in my house I cannot withdraw the amount immediately or, my husband might have spent that money if it is in the home". So village banking is very convenient to her and she is also expecting SHG deposits and withdrawal services in the BC itself to strengthen the SHGs.*

6.2.7 *Regularity of payments:* About 27% of the account holders have reported that there is an increase in the regularity of payments of bills like electricity, school fee, school auto charges, and collection of food material from ration shop, monthly payment to Kirana shop etc.

6.2.8 *Earnings-savings linkage:* About 37% of the account holders have reported that immediately after getting wages or fortnightly payments from milk collectors or sale of produce, they are depositing in their accounts to avoid unnecessary expenditure and for future needs.

*Case study- On time Payments hereafter... Sathu Bharathi is an illiterate woman, who never had an account earlier. She lives in a village called as Prabhagiri Pattanam of Podalakuru Mandal in Nellore District. She is a Shepard and sends the milk to a dairy in the nearby town. Earlier the supervisor used to delay in paying her amount as he has to come to her village out of his busy schedule. So she used to take hand loans on interest to feed the animals and to meet her day to day expenses. But now, after she has opened the account at the CSP, the amount was regularly deposited in her account for every 10 days and she stopped taking loans on interest. She also started saving the surplus in her account and withdraws during the need as the CSP is very adjacent to her house.*

6.2.9 *Multiple accounts of household members in bank and /or CSP:* The data collected from the 195 sample BC account holder households' members have 424 accounts with an average of two per household. In majority of the sample households 2-3 members (52%) opened accounts with BC followed by one (33%) and four and above (14%). Of the three study districts, highest percentage of households in Anantapur district have multiple

accounts (76%) with BCs compared to Kurnool (67%) and Nellore (54%) districts. Of the total BC accounts, majority accounts are of men (51%) followed by women and children (5%). The data shows that if we compare the ratio of men having account in banks and BCs (173 : 214) with the ratio of women having accounts in bank and BCs (68 : 186), more women opened accounts with BCs than men. The percentage of women having account in bank (27%) and with BC (44%) also shows the high percentage of women opened accounts with BCs than men. Of the total 195 sample BC account holders, about 26% have account with BC only, and they don't have account in any bank earlier. However, of the 423 household members, who opened accounts, about 70% received smart cards from the banks/TSP. Of the total A/c holders, who received smart cards, majority of them are men (52%) followed by women (43%) and children (5%).

**Table-6.2: SB A/c of Sample BC Account Holders and Their Household Members**

S. No.	Category of A/c Holders	Bank		BC		Total	
		SB A/c	%	SB A/c	%	SB A/c	%
1	Men	173	68.1	214	50.5	387	57.1
2	Women	68	26.8	187	44.1	255	37.6
3	Children	13	5.1	23	5.4	36	5.3
	Total	254	100.0	424	100.0	678	100.0

6.2.10 *Additional/Assured income source:* Though majority of the BCs have complained about meager honorarium and commission, few have mentioned that it is an additional income and employment source to them.

*Case study – Decent earnings with the support of Household Members: Podalakuru Subamma resides in Navooru village of Podalakuru mandal in Nellore district. Earlier she worked as a labourer along with her husband. But in June, 2011, she became a Business Correspondent of SBI bank. She has accompanied her daughter, who is an engineering student and attended training in Nellore for 5 days about the BC operations and about the usage of the computer. After the training, her daughter helped her in the usage of the computer. At the time of commencement of BC operations in the village, she got an immense support from her husband. He visited all the 3 hamlets and made house to house visits thrice in order to open the accounts and in creating awareness about the BC model. The average turn over of transactions of the BC during the last six months is about 3 lakhs, which is a significant amount, when compared to other BCs in the district. The other services include remittances, worth of Rs. 60,000. In the month of March, 2012, the BC and her husband participated in the recovery process as bank agents. They recovered 40 lakhs of the loan outstanding amounts from the loan defaulters and earned 1% as commission. Within a year she could earn Rs. 64,000 as both commission and honorarium. She acknowledges her husband's and daughter's support for her decent earnings.*

*Caste study – Assured income source: Manojnath is one of the BCs of SBI in Nellore District. He works in Shar project, Sriharikota of Sulluripeta mandal. He runs a general store along with the CSP. He has 600 account holders, in which most of them are migrant, landless contract labourers. According to the BC, the account holders don't have any local address proof and general accounts in the banks. The companies in the Shar Project pay the salaries of these contract labourers through the CSP to ensure transparency, so that there will not be any cut offs in their salaries. The average turnover of the BC for six months is about Rs. 10, 00,000 and the labourers, who take the salaries also save some of their amounts in their accounts for future use. On the whole, the BC gets an assured income of Rs. 10,000 per month.*

6.2.11 *Advantages of Business Correspondent Model perceived by the account holders:* During informal group discussions, the A/c holders have reported the advantages of BC model perceived by them are as follows:

i) *No burden on A/c holder to open an account in a bank:* The BCs opened the accounts without any opening balance or no frill accounts. Many of the account holders expressed that earlier it was not easy to open an account due to long and complicated procedures, but now they can easily open an account in the village with minimum documentation with the support of BCs.

*Case study- Cash Limit and Multiple Accounts:* Mr. Ganga Laxmi, is a resident of Brahmasamudram village of Brahmasamudram mandal in Ananthapur district. She and her husband work as daily wage labourers for their living. When Ganga Laxmi was pregnant, she and her husband opened a no frill account to save their earnings. But when they discovered that the limit of the withdrawal is only Rs. 1000 per day, they opened another account in the name of her husband, Mr. Sumitra Paul. When she conveyed the information about her savings in the NF accounts to her parents, they too have opened the accounts and saved some amount for their daughter's delivery. During the time of her delivery, the amount was withdrawn from the four accounts to meet the expenses.

ii) *Banking services at the doorstep:* The A/c holders expressed that the amount saved in the accounts can be withdrawn at any point of time. They further added that the CSP is accessible even on Sundays. They feel satisfied to have a mini-bank in their own villages as the banks are usually very far and the transportation facilities are poor for many villages.

*Case study- Proactive role of BC and Multiple financial services:* Mr. Venkatarami Reddy is the BC at Konuthuru village of Dharmavaram mandal. He has a milk collection center in the Village. All the villagers sell their milk at this center and the BC pays the amount on daily basis. After becoming a BC, Venkatarami Reddy helped his customers to open no frill account at his CSP. He has also taken the help of a volunteer in creating awareness and bought a printer. The services provided at the CSP are promotion of savings, RDs, insurance, remittance. He is maintaining good records. Pensioners, old age people, farmers, small entrepreneurs, etc have opened the accounts and using the services of the BC. The clients expressed that due to availability of BC in the village, they started savings, able to get bank end agriculture subsidy in the Village itself. They have also added that the BC is more approachable, when compared to the bank employees of the Dharmavaram Bank. At the same time, BC is also happy for his decent employment opportunity as his transactions in the last six months are nearly Rs. 3, 00,000/-. He expressed that he is helping his villagers and at the same time he is also earning money.

iii) *Convenience and easiness:* The A/c holders feel very comfortable in using the BC model as they can save a minimum amount of Rs. 10 in their accounts. They also feel that the BCs are very approachable, when compared to bankers to answer their queries. Further savings can be withdrawn at any point of time to meet unexpected/ emergency expenses.

iv) *Time saving and cost effective:* The account holders expressed that the main advantage of the BC model is that they can save time and the travel expenses in going to the bank. They told that earlier they never went to the bank to save money as their savings are very little and the cost incurred in traveling is more.

v) *More helpful to the vulnerable:* This model is good for all type of people like aged, businessmen, handicapped and sick people and women, who save from their drunkard husbands.

*Case study – Inclusion of the Excluded: Mallaka, a 65 year old widow resides in Panchikalapadu village of Gudur mandal, Kurnool district. She has two sons, who abandoned her in her old age. Earlier, she was a part of an SHG, where she could save her small earnings and avail loans to meet her expenses. But, when she turned old, she was excluded from the group as per the group norms. She has a general account in the bank and a no frill account in the village. She gets an old age pension of Rs. 500 and works as an on-farm labourer in the village during the peak season. She is often excluded from the work force due to her old age. From her pension, she uses Rs. 200 for her medicines and saves the remaining Rs. 300 in her no frill account. She made the BC sigh in her pocket dairy after every transaction. She says that though she is excluded from the SHG, she could save her earnings safely and withdraw her savings at any point of time since the “mini-bank” is at her doorstep.*

*Gokarbe is an account holder, who opened a no frill account a year ago. She resides in Pedannalaturu of Gonegandla mandal in Kurnool district. Though she has opened the account a year ago, she is unaware of the BC services and opened the account just to avail housing loans. She has a general account in the Canara Bank, which is very near to the village and uses the account for other services. Hence, the objectives of the BC model are sidelined due to lack of awareness.*

*vi) Different types of banking services:* The account holders expressed that they can withdraw the loan amounts and housing bills through CSPs. They further added that the model is useful for them for money transfers, remittances and SHG savings.

*vii) Promotion of savings:* The prime advantage for many of the account holders is the increase in the micro savings of their households. They expressed that they got an opportunity to save in their accounts safely. They added that the amount of savings and the saving habit has been improved even more after the arrival of BC model in their villages.

*viii) Loans:* The account holders are with the notion that they can avail loans through CSP in the future

*ix) Transparency:* The account holders expressed that the usage of biometric devices in the BC model brings in transparency in the operations.

*x) Negative implications:* Besides advantages, some of the BCs and account holders have reported unconstructive aspects – instead of getting earning pushed into indebts/burdens, damage of reputation of BCs in the village, working for vested interests rather than larger interest, social discrimination, unhealthy competition between bank and CSP/BC outlet and so on. Following are some the examples of those category.

***a) Failed Technology burdens BC:*** Kirana Kumar was appointed as a BC in the year 2011 for Andhra Bank. He belongs to Chapiri village of Kalyandurgam mandal in Anantapur district. He is a farmer and a successful entrepreneur, who sells animal-feed. He has good reputation in his village and hence with that rapport, he has opened 900 accounts in the village. His BC business was satisfactory in the beginning, but after 3 months of operation, where many people saved hundreds of rupees, the PoS machine stopped working due to technology failure. The account holders insisted him to give back their amount. In order to keep up the status and good will in the community, the BC has given his personal amount of Rs. 18000 and took the signature of the account holders in a register. The BC feels that he was trapped by the TSP in the name of Andhra Bank and lost money as well as faith among the villagers.

*b) Vested Interest of BC: Charitha is a graduate, who was appointed as a BC in March, 2011. She belongs to La Sagaram village of Naidupeta mandal in Nellore district. She has a full fledged knowledge on BC activities but her involvement in running the CSP is almost negligible as her husband is the main person, who operates the CSP. The number of accounts opened, so far are only 10 and interestingly, only 2 out of the 10 account holders use their accounts regularly. The BC's husband told that the bank is very near and hence he couldn't enroll the villagers. His brother is a distributor of a dairy company and has good network. Hence, the BC has planned to use the BC model for money transfers within the distributors and company.*

*c) Opening of Accounts for Commission: Venkata Subbha Reddy is a rich farmer, who belongs to Obulampally village of Allagadda mandal in Kurnool district. He has 2 personal accounts on his name in the main banks. He uses those accounts to avail gold and crop loans for investing on his land. He has also opened a no frill account in the village by the force of BC, but has not made any transaction so far. He is unaware of the details of his no frill account and is not interested in using the account even in the future. He told the researcher that he just gave his documents and two photographs to the BC, in order to support the BC in getting commission. He is also of the view that, men cannot use these accounts as they require huge amount for investment and it's only women, who can save small negligible amounts and use those accounts.*

*d) Casteism: Sripati Kiran Kumar, who belongs to a scheduled community joined as BC on May, 2011 in SBI. He lives in the SC colony of Annamedu village of Naidupeta mandal in Nellore district. He was very much interested to make the BC model successful at the time of inception. Though the bank agreed to sanction a loan of Rs. 20,000, he used his own amount and bought all the equipment on his own. But when he actually started working as a BC in his village, he discovered that the upper class people didn't find it viable to use the BC services as they have to interact and come to the BC's house, which is in SC colony for transactions. Out of 800 households in the village, he could open only 50 accounts out of which none are using the account. Hence, he was discouraged due to the so called "social stigma" and says that, he can only work if the bank provides a community hall in the center of the village for BC operations.*

*e) No cooperation from the local branch managers: Shiva Laxmi is a Business Correspondent of Syndicate Bank. She lives in Laxmampalli village of Kundurpi village in Ananthapur district. She is a farmer and a small entrepreneur. She and her husband work together for providing better BC services in the village. Out of 600 households in the village, they could able to enroll 800 members, by putting in lot of efforts in collecting the required documents from the villagers. But after submission, the bankers delayed in opening the accounts. A few months ago, a new branch has been emerged and the bank manager has diverted the attention of the villagers towards the new bank and told the people that the CSP has been closed. Hence, most of the people stopped saving the accounts and in opening the accounts. The BC suggests that the new local bank and the CSP should work together.*

### **6.3 Impact at Bank Level**

In AP under Financial Inclusion Programme (FIP), 6640 villages having 2000 and above population were allocated to 17 public sector banks, 5 regional rural banks and three private banks (Appendix-14). Large numbers of FI villages are allotted to SBI (1387), AB (1054), SBH (695) among public sector banks; and APGVB (869) and APGB (546) among RRBS. All banks covered the FI villages allotted to them by appointing 6280 business correspondents. As on 30<sup>th</sup> June 2012, about 36.21 lakhs of accounts were opened under FIP with an average of 545 and 577 per village and BC respectively.



6.3.1 *Reached the un-reached- No. of villages allotted and covered:* The data in table-6.3 shows that the three sample banks in the study area have covered all the financial inclusion villages in all the sample districts that were allotted by the State Level Bankers Committee (SLBC).

*Presence of BC outlets in the absence of Public and/or Private Banks in a mandal: For instance there is no single private or public bank branch Brahmasamudram mandal of Anantapur district. As part of financial inclusion programme, Andhra Bank has started four BC outlets in the mandal to provide banking services to the villages.*

<u>Mandal</u>	<u>Name of the CSP</u>	<u>Village</u>	<u>Base bank branch</u>
Brahamsamudram	Mr. Ananda	Eradikera	Vepulaparti, AB
Brahamsamuram	Mr. K. Syamanna	West Kodipalli,	Vepulaparathi, AB
Brahmasamuram	Mr. Somasekhar,	Bhairsamudram	Vepulaparathi, AB
Brahmasamudram	Mr. H. Mukkanna	Brahamasamudram	Vepulaparathi, AB

6.3.2 *Number of accounts opened:* The data in table – 6.3 shows that of the total 368 FI villages about 114857 accounts were opened with an average of 342 per BC. It shows that a good number of people were brought into the fold of formal financial institutions.

6.3.3 *Employment generation/additional source of income:* About 336 persons got new or additional employment by appointing as BCs by the banks. During interactions many respondents have reported that they got engaged as BCs as supplementary economic activity rather than primary economic activity to the BC.

6.3.4 *Mobilization of deposits in the form of savings:* The data in table-6.3 shows that the three study districts mobilized a total deposit amount of Rs. 6.85 crores. Of all the three banks, the performance of BCs of SBI is more compared to SYB and AB.

District	Bank	No. of Villages allotted	No. of villages covered	No. of BCs	No. of Accounts opened	Deposit amount in Rs.
1. Anantapur	AB	34	34	23	18582	NA
	SBI	72	70	58	20578	7000000
	SYB	NA	NA	NA	NA	NA
2. Kurnool	AB	45	45	40	19185	0
	SBI	82	82	82	7696	5509000
	SYB	NA	NA	NA	NA	NA
3. Nellore	AB	NA	NA	NA	NA	NA
	SBI	70	70	70	24847	14750877
	SYB	67	67	63	23969	41236000
Total		370	368	336	114857	68495877

6.3.5 *Large volume of personal loans with zero default:* The State Bank of India has sanctioned personal loan of Rs. 40,000 with an interest rate of 14% per annum to the BCs to procure technology devices such as computer & accessories and internet connection.

Similarly, Syndicate Bank has extended personal loan of Rs. 20000 to BCs for paying Rs. 10000 as 'floating money' and another Rs. 10000 for getting the mobile with IVRS with software/PoS machine from the TSP.

The data shows that there are 210 SBI-BCs in the study districts. During interactions, all the BCs have reported that they have borrowed a personal loan of Rs. 40,000 from base bank branch to procure necessary technology devices. It means, the SBI has disbursed a total of Rs. 84,00,000 as personal loans to BCs, which is a good business to banks, and all are regular in repayment.

*6.3.6 Advantages to BCs and account holders perceived by the bankers:* During individual interactions with district and branch level officials, they reported how the BCs are being benefitted with the BC model as:

- i) Provides additional employment;
- ii) Increases status in the village; and
- iii) Additional source of household income.

Further, the bank official also reported about the changes that they have noticed among the account holders as:

- i) The poor inculcated the habit of banking
- ii) Promotion of small amounts of savings especially women
- iii) Demand for loan products through CSP/BC outlets
- iv) Demand for linking of SHG transactions through BCs
- v) Banking services at door steps.
- vi) Drawing the subsidies given by the Government through BC accounts.

To sum up, the impact of services provided through BCs on BC A/c holders in the promotion of savings by reducing unnecessary expenditure and linking of earnings to savings, and in reducing dependency on money lenders, taking of hand loans and enhancing regularity of payments to be made by accessing savings, credit, insurance and remittance services is nominal because of limited number of financial services through BCs, poor functioning of BC and less volume of business due to low awareness of account holders on BC activities. However, the account holders have perceived a good number of advantages of BC model. All the banks in Andhra Pradesh were succeeded in covering the total no. of villages allotted to them by the SLBC under financial inclusion programme.

## Chapter-7: Farmers' Clubs

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The NABARD had launched a programme called Farmer's Club (FC), earlier known as 'Vikas Volunteer Vahini (VVV), with a mission '*Development in rural areas through credit, technology transfer, awareness and capacity building*' to propagate the five principles of '*Development through credit*'. The five principles are i) credit must be used in accordance with the most suitable methods of science and technology; ii) the terms and conditions of credit must be fully respected; iii) work must be done with skill, so as to increase production and productivity; iv) a part of the additional income created by credit must be saved; and v) loan installments must be repaid in time and regularly so as to recycle credit.

Farmers' Clubs are grass root level informal forums of farmers. Such Clubs were organized by rural branches of banks, with the support and financial assistance of NABARD for the mutual benefit of the banks concerned and the village farming community/rural people. With the enhancement of the programme, other agencies like NGO, Vas, KVKs, SAUs etc. are also now included as agencies for the formation and promotions of FCs.

The broad functions of the Farmers' Clubs, as envisaged are as follows:

- Coordinate with banks to ensure credit flow among its members and forge better bank borrower relationship;
- Organize minimum one meeting per month and depending upon the need, there would be 2-3 meetings per month. Non-members can also be invited to attend the meetings;
- Interface with subject matter specialists in the various fields of agriculture and allied activities etc., extension personnel of Agriculture Universities, Development Departments and other related agencies for technical knowledge up-gradation. For guest lectures, even experienced farmers, who are non members from the village/neighbouring villages could be invited;
- Liaison with Corporate input suppliers to purchase bulk inputs on behalf of members;
- Organize/facilitate joint activities like value addition, processing, and collective purchase of inputs and farm produce marketing, etc.; for the benefit of members. They can also sponsor / organize SHGs;
- Undertake socio-economic developmental activities like community works, education, health, environment and natural resource management etc; and
- Marketing of rural produce and products

### 7.1 Farmers' Club Programme

#### 7.1.1 Out reach

a) *No. of farmers' clubs:* According to NABARD there are 7338 FCs in AP as on March 2012 (see appendix-15). Of the total FCs, 229 are in Anantapur, 222 in Kurnool and 309 in Nellore districts. However, the study team has analyzed only 447 FCs as the details of promoter and the associated bank are not available to all FCs. Of the 447 FCs, 174 are

in Anantapur districts, 177 are in Kurnool district and the remaining 96 are in Nellore district.

b) *Promoters of FCs:* All institutional agencies (Commercial Banks, Cooperative Banks and Regional Rural Banks) and all grass-root level organizations (NGOs, PRIs, State Agricultural Universities, Krishi Vignana Kendras (KVKs), ATMA, Post Offices, etc.,) are eligible to form Farmers' Clubs.

Table-7.1: District and Promoter-wise Number of Farmers' Clubs			
District	Agency	Name of the promoter	No. of FCs
Anantapur	Banks	1. Anantapur DCCB	6
		2. Andhra Bank	4
		3. Canara Bank	1
		4. State Bank of India	5
		5. Sri Ananta GB	69
		6. Syndicate Bank	9
	NGOs	1. Accion Fratena	6
		2. CRD	3
		3. IAABNS	9
		4. Myrada	37
		5. PSRDS	7
		6. RIDS	3
		7. SIRI	15
Kurnool	Banks	1. Andhra Bank	36
		2. Andhra Pragathi Grameen Bank	39
		3. Canara Bank	3
		4. Central Bank of India	3
		5. Indian Bank	2
		6. Kurnool DCCB	11
		7. State Bank of India	2
		8. Syndicate Bank	4
	NGOs	1. AARDIP NGO	4
		2. APARD	16
		3. Myrada	40
		4. Nava Youth Association	8
		5. Rises	5
6. SRED NGO		4	
Nellore	Banks	1. Andhra Pragathi Grameen Bank	54
	NGOs	1. Navajeevan organization	20
		2. SARDS	8
		3. Society for Development	14

The data in table – 7.1 shows that the banks and the NGOs are the major promoters of FCs in the study districts. Out of 447 FCs, 248 (55.5%) were promoted by Commercial Banks (CBs), Regional Rural Banks (RRBs) and District Cooperative Central Banks (DCCB) and the remaining 199 (44.5%) were promoted by 15 NGOs in the sample study

districts. Of the FCs promoted by banks, majority of the clubs were promoted by RRBs (65.3%) followed by CBs (27.8%) and DCCBs (6.8%). However, the number of FCs promoted by CBs is high (50%) as compared to RRBs (39%) and DCCBs (11%). Further, no CB and DCCB have promoted FCs in Nellore district; and all the FCs were promoted by the RRBs in the district. It shows that the regional rural banks played a vital role in the formation of farmers' clubs in the study districts.

Of the 199 FCs promoted by NGOs, 80 are in Anantapur, 77 are in Kurnool and the remaining 42 are in Nellore district. Of the 15 NGOs engaged in the promotion of FCs, MYRADA has promoted large number of FCs (77 out of 199 FCs) both in Anantapur and Kurnool districts followed by Navjeevan organization (20 FCs), APARD (16 FCs), SIRI (15 FCs) and Society for Development (14 FCs). The other NGOs were promoted each between 3 and 8 FCs.

c) *FCs-Association with banks:* Of the 447 FCs, majority of the FCs have associated with RRBs (68.7%) followed by CBs (25.7%) and DCCBs (5.6%). Of the CBs, many are associated with State Bank of India (38.2%) followed by Syndicate Bank (35.7%). And the other 26.1% are linked to Andhra Bank, Canara Bank, Central Bank of India, Indian Bank, Vysya Bank, and Union Bank of India.

Table-7.2: District-wise Association of Farmers' Clubs with Banks					
S. No.	Name of bank	ATP	KNL	NLR	Total
1.	Commercial Banks	42	51	22	115
2.	Regional Rural Banks	126	107	74	307
3.	District Central Cooperative Bank	6	19	--	25
Total		174	177	96	447
<i>Data source: District Directories of Farmers' Clubs published by NABARD</i>					

### 7.1.2 Financial support for Base Level Orientation Training Programme (BLOTP)

NABARD extends support to FCs for i) capacity building of members of FCs including leadership training; ii) linkage with technology/market; iii) promotion of SHGs /JLGs; and iv) forming federations of FCs/Producers' Groups/ Companies.

During interactions, the bank branch managers have reported the advantages of FCs to banks as i) increase in the credit flow and diversification of lending; ii) new business opportunities; iii) increase in the recoveries and decline in the non-performing assets (NPA); iv) reduction in the transaction costs of banks; v) socio-economic development of the village; vi) active role of FCs in the implementation of various social welfare measures like health campus for both villagers and animals, laying roads, construction of check-dams etc; and vii) enhancement in the bargaining power for bulk purchase of inputs and marketing of their produce.

All the old Clubs and about 70 to 80 percent of 1-2 year old FCs have received a grant of Rs. 5,000 towards base level orientation training programmes. Further, some FCs have received Rs. 3,000 per year, for exposure visits or meeting the experts. Many FCs had spent the grants for organizing the function rather than a specific training programme.

## 7.2 Quality of FCs and FC Federations

7.2.1 *The profile of clubs:* The age of the clubs varies from one to 15 years. Majority of the groups were formed during the last three years. The club size varies from 10 to 30 farmers; a majority of the clubs are formed with both men and women and a few are exclusively formed with women.

7.2.2 *Savings & Meetings:* Monthly savings and meetings are common. The monthly savings amount of a member varies from club to club between Rs. 50 and Rs. 100. However, some of the clubs are not promoting any savings. The members have a total savings of Rs. 1500 to Rs. 3000. Some of the clubs distributed their savings at the time of withdrawal of membership in a club by the farmers. The members' attendance to club meeting varies from 60 to 70 percent. The collection of savings and loan installments is within and outside the club meetings, and it takes upto one week in some of the clubs. Whatever the amount that the members save is deposited in club's savings accounts in the bank.

7.2.3 *Books of accounts:* All the FCs have books of accounts. Most of the FCs are maintaining only minutes book with saving and loan details; but, it is not up-to-date with all the details. However, many of the FCs are maintaining the details of the accounts in a note book. During discussion, the office bearers have reported that the absence of training on book keeping and accountancy, as the reasons for poor book keeping and accountancy. However, the FCs promoted by MYRADA are good at book keeping, when compared to FCs promoted by others.

7.2.4 *Credit services:* Many clubs are using members' savings for on lending to their members. But, internal lending is absent among the clubs, which were formed recently, between one to two years., All the savings of the FCs with no internal/on lending were deposited in the banks.

7.2.5 *Access to various welfare and development programmes:* The Andhra Pragathi Grameen Bank (APGB), Muddinayanipalli bank branch has been implementing about 12 development programmes through a women FC namely 'Maruthi Mahila Raithu Club' in Kondapur Village of Kalyandurgam Mandal in Anantapur district of AP. Most of the villagers, irrespective of landholdings and social categories, have been benefited with various programmes. The details of the programmes and the number of households benefited are as follows:

- Fodder- Grass : 89 families
- Dairy/cattle : 89 families
- Training on various Ag practices : 92 families
- Bio-gas plants : 25 families
- Solar /electricity connections :110 families
- Veterinary facilities :120 families
- Livestock/Goats/sheep : 30 families
- Crop loans : 65 families

During interaction with the women club members, it was found that no member knows about the club activities and the members. All the activities are managed by the

husbands/fathers/brothers of club members. No documentation about the club activities and the accounts were available with the members.

During interactions, the villagers have reported the impact of various development programmes in the village as: i) accessed loans from banks; ii) increase in household income due to dairy activities; improvement in veterinary facilities, milk collection center etc.; iii) employment to youth- about half a dozen youth, those trained on solar power system have been engaged as resource persons by some of the agencies to do the similar kind of work in other villages; iv) addressed the shortage of electricity in the village, as most of the households adopted the solar technology.

*7.2.6 Promotion of federations:* The process of formation of FC federations has been initiated in Adoni mandal of Kurnool district in Andhra Pradesh. With the proactive role of DDM, NABARD and the local NGO, a federation was formed with 48 FCs called 'Tolakari Raithu Samakhya'. It is an unregistered federation. The local NGO is providing handholding support in taking up 'vegetable cultivation project' and in credit linkage with banks. The federation is good at its functioning. Nevertheless, the FC mostly depends on the promoters rather than functioning as a member owned, managed and controlled institution.

### **7.3 Issues**

*7.3.1 Low awareness levels:* Not only the members but also majority of the FC office bearers have low understanding on the purpose of FCs, roles and responsibilities of the office bearers.

*7.3.2 Large number of dormant clubs:* Though there are good number of FCs in the study districts, majority FCs are irregular and dormant. During discussions with MYRADA, they said that out 40 FCs formed by them, at present not even a single FC is functioning in Kurnool district.

*7.3.3 No focus on the revival of dormant groups:* It seems that there are no efforts from the banks/NGOs on the revival of dormant groups, though there are large no. of defunct groups in the study area.

*7.3.4 More number of dropouts:* Many farmers joined FCs to avail large amount of loan from banks like women SHGs under credit linkage programme. As there is no credit linkage of FCs to bank, many members have withdrawn their membership.

*7.3.5 Large amount of idle funds in FC SB Account:* As there is no practice of internal lending, a large amount of members' savings has been lying idle in the SB account of FCs. This tendency is high, especially in the case of FCs promoted by banks.

*7.3.6 Promoter driven rather than community driven:* Most of the clubs are working on the advice of the promoters rather than on their own agenda.

*7.3.7 No or poor measures for the sustainability of FCs:* There is no regular income to most of the FCs. Though monthly savings is the norm, there are no regular savings in majority of the clubs. In most of the villages, except one or two in a district, the FC activities are limited to savings and credit.

7.3.8 *No handholding support to old FCs from the promoters:* As there is no handholding support from the promoters after the completion of the project, particularly in case of FCs promoted by NGOs, many groups became defunct and there are no efforts to revive the dormant clubs.

#### **7.4 Awareness on Business Correspondent Model**

The study team has collected the information on the awareness of FC members on the 'Business Correspondent Model', purpose of it and their capabilities to act as business correspondent. During focus group discussion, the study team had found that a few members of a few FCs know about 'business correspondent'. However, most of the people don't know the activities of a business correspondent. Some FCs have expressed that if the banks provide opportunity, they would like to take up the job of business correspondent. However, keeping the quality of FCs, the study team concluded that they don't have the capabilities to perform the role of a business correspondent without adequate capacity building on 'book keeping & accountancy', 'financial literacy', 'financial management' and 'business correspondent model'

In conclusion, banks and NGOs have formed a good number FCs in the study area. Majority of the clubs are poor in functioning, and dormant. Majority of the clubs availed NABARD's financial support for base level orientation training programme. There is a limited understanding among the members on FCs and its activities. Some NGOs, initiated the formation of FC federations and linking with livelihood activities. It was also found that the FCs don't have the capabilities to perform the role of a business correspondent without adequate capacity building.



## Chapter-8

# Sustainability of BC Model-The Tone of Stakeholders

The present chapter discusses the expectations and the suggestions of business correspondents, account holders and bankers to sustain the BC model and to reach the un-reached and provide quality and diversified financial services. The suggestive measures for strengthening of BC model are presented under four broad headings – i) awareness and capacity building, ii) volume of business, iii) cost and support from the banks and technical service providers.

### 8.1 Voices of Business Correspondents and Account Holders

#### 8.1.1 Awareness and capacity building

a) *Awareness programmes in the village:* BC feel that more number of awareness programmes should be conducted for the villagers to understand the importance and benefits of BC model. Further, the banks should play a key role in organizing periodical awareness programmes on BC model and other financial services.

b) *Training:* BCs expressed the need of trainings on the usage of technology, cash book entries and overall activities of BCs and the future prospects of BC model.

c) *Sign Board:* Many of the BCs interviewed, displayed signboards as a part of awareness creation and identity but few of the BC didn't display the boards as the boards were provided neither by the banker nor by the TSP.

#### 8.1.2 Volume of business

a) *Diversified financial services:* Most of the BCs suggested remittances, cash transfers, cheque transactions, and overdraft facility through CSP besides savings and withdrawals. They also suggested that the reduction in service charges for outstation cheques and inclusion of fixed deposits.

b) *Diversified loan products:* Most of the BCs suggested that the CSP should be in a position to provide small and medium loans to the small entrepreneurs and farmers. The loans suggested by them include crop loans, input subsidies, gold loans, etc. Few of the BCs strongly feel that availability of small mandatory loans to the account holders will encourage and motivate them to use the BC services to a maximum level.

c) *Increase in the cash limit or rise in float amount:* Most of the BCs suggested an increase in the float amount for their day to day transactions. The present limit for active/well performing BCs is very small and the BCs spend most of the time in going to the bank, to get the amount. In addition, they were not provided with any proper response from the bankers and no TA is provided. They further complained that the clients lost interest in using the services due to delay in withdrawals.

d) *Inclusion of government programmes for disbursement of payments:* Many BCs suggested that the disbursement of NREGS wages, social security pensions like old age, widow, PWDs; input subsidies for farmers, retired employees pensions, through CSP will ensure regularity and avoid cut offs by the postmen and any other middlemen, who disburse the wages and also it will benefit BCs in getting more commission.

e) *SHG-BC outlet linkage:* Promotion of SHG savings, disbursement of small loans, and recovery of loans will increase the volume of business; saves time and financial resources of the account holders.

e) *Effective implementation of grievances and redressal mechanism:* Ensuring issue of vouchers for each transaction, entries in passbooks, collection of signatures during offline transactions, display of information on fee for services of BC outlets, CSP identification details and the details of the person in-charge for financial inclusion at branch level and banks ombudsman.

f) *Automatic Teller Machine (ATM):* Most of the BCs and the account holders felt that ATM cards in addition to smart cards to the account holders will provide an opportunity to make transactions that in turn increases the volume of business.

### 8.1.3 Costs

a) *Decent honorarium and commission:* Most of the BCs suggested to increase the amount of their commission as most of their earnings are negligible and they cannot afford to spend their full time on BC activities. They are expecting a decent honorarium which is given in regular intervals. Few of them suggested a good percent of commission to BC on deposits like fixed and recurring deposits. Few of them are of the opinion that a fixed payment as a salary instead of a commission would help the BC in spending more time and to attain sustainability of the model.

b) *Operational costs/Maintenance charges-* The maintenance cost incurred during the BC operations is borne by BCs, which include stationary cost, deposits for equipment, devices, furniture, internet charges, electricity charges of the CSP, rents, travel expenses in going to the bank, etc. The cost should be bare by the banks and TSPs, since their commission and honorarium is negligible.

c) *Separate Room:* The BCs foremost suggestion is to have a separate room to perform the operations. Casteism in the villages, play a major role and the account holders don't find comfortable in coming to the BCs house if the BC belongs to Scheduled Castes. Hence many BCs suggested a separate room in the center of the village/public place, so that it can be accessible to everyone in the village, and cost should be paid by the bank.

d) *Electricity* – Electricity is the prime disruption for the BCs to operate during business hours. Hence they suggest the provision of inverters/ UPS as mentioned by the TSP earlier.

e) *Refunding of amount deposited by the BCs:* The ceiling amount deposited in the bank by the BCs should be given back since they are working on behalf of the bank. It minimizes the operational cost and maximizes cost (net honorarium and commission) due to reduction of interest burden on loan.

### 8.1.4 Support from banks and technology service providers

a) *Technology devices:* Since major part of the BCs' task is connected to the technology, the banks should provide standard technology. All the three categories of BCs interviewed i.e., BCs of Andhra Bank, State Bank of India and Syndicate Bank expressed that they face regular interruption in using the PoS machine/ printer /computer/finger print machine/mobile with biometric software which grabs the voice of the account holder. They also pointed out that the bankers and TSPs delay in rectifying these issues at

the earliest, which in turn trigger off the interest of the account holders. Also the BCs suggested that there shouldn't be any delay in providing smart cards to the applicants as the applicants pressurizes the BCs.

*b) Support and immediate response from both Bankers and Technical Service Providers (TSPs):* Most of the BCs suggest that both banks and technical service providers should work in coordination with BCs and should respond immediately to the problems faced by the BCs for better functioning of CSP.

There should be no delay in opening the accounts; the toll free numbers given to the BCs should work; the technical problems encountered by the given technology have to be addressed and the behaviour of the banker towards the BC has to be changed.

The bank managers as well as TSP should regularly visit the CSPs and review the progress, encourage, cooperate and lastly to understand the grass-root level problems faced by them, so that they can have immediate handholding support and build trust among the villagers.

## **8.2 Banks**

During individual interactions, the bankers made the following suggestions for the effective implementation of BC model.

*a) Single Technology Service Provider for many banks and synergy with at bank branch level:* Single TSP for many banks with alternative technology devices and human resources/staff will improve the functioning of BC model.

*b) Proactive role of bankers in awareness creation:* Awareness on the importance of banking and its services to A/c holders and villagers. Banker's role in the functioning of CSP should be made clear at branch and district level.

*c) Opening of Ultra Small Branches* as a part of financial inclusion so that the BC services can be used more effectively


*d) Effective implementation of grievances and redressal mechanism:* Provision of pass books to ensure faith among the a/c holders, BC as well as Bankers; Regular interactions and reviews with the bankers, regular visits of the bankers to the CSP, development of training manuals and publicity material on BC model in local languages will help in creating awareness among the villagers, account holders and BCs/CSPs.

*e) Decent honorarium & commission with TA & DA:* Increase in honorarium & commission, and fixed honorarium with minimum incentives like TA and DA.

*f) Additional services:* As most of the CSP/BC outlet activities are limited to deposit and withdrawal of savings majority of the BC are not getting significant amount honorarium. Multiple services through CSPs and utilization of BCs' services by the banks in recovery of general loans disbursement of third party products can be sustained.

*g) Linkage with Govt. programmes:* All the subsidies and the social security pensions, payments of NREGS should disburse through CSP/BC outlets.

## Appendix-1: Terms of Reference for the Study



**राष्ट्रीय कृषि और ग्रामीण विकास बैंक**  
**NATIONAL BANK FOR AGRICULTURE**  
**AND RURAL DEVELOPMENT**

3 MAY 2012

आन्ध्र प्रदेश क्षेत्रीय कार्यालय  
1-1-61, आर.टी.सी. क्रास रोड्स  
मुशीराबाद, पो. बॉ. सं. 1863  
हैदराबाद - 500 020

"ग्रामीण समृद्धि की सेवा में समर्पित दो दशक"  
"TWO DECADES OF COMMITTED SERVICE TO RURAL PROSPERITY"

Andhra Pradesh Regional Office  
1-1-61, RTC X Roads  
Musheerabad, P.B.No. 1863  
HYDERABAD -500 020

फोन /Tel : 27685555, 27612651  
फैक्स / Fax : 27611829  
ई-मेल / E-Mail : nabapro\_hyd@dataone.in

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NB.AP.RO.NO. 1595 /MCID.FI.10/2012-13  
02 May 2012

The Chief Executive Officer  
APMAS  
Plot No.20, Rao & Raju Colony  
Road No.2, Banjara Hills  
**Hyderabad 500 034**

Dear Sir,

**Impact Study of Business Correspondents (BCs/BCAs) - Reg**  
Please refer to our letter NB.AP.RO.NO.14475/MCID.FI.10/2011-12 dated 09 February 2012 on the captioned subject and further discussions you had with us regarding conduct of the Impact Study of Business Correspondents in Andhra Pradesh. In order to take up the study we have identified the following districts for you alongwith the details of BCs/BCAs functioning in the district.


Name of the districts to be covered	No.of BCs functioning in the district
Anantapur	52
Kurnool	44
Nellore	12
Total	108

The terms of reference of the Study are as follows:

1. Impact of appointment of BCs by the banks in FI
2. The coverage of clientele by BCs in the identified district
3. The parameters and incentives offered to BCs and suggestions for the viability of BCs
4. Involvement of Farmers Clubs as Business Facilitators(BFs) and SHGs as BCs / BFs
5. Sustainability of Institutional framework in BC / BF model on a long term basis.
6. Analyse the Effective Financial Inclusion & extent of Financial Inclusion achieved in quality and quantity

Further, you are requested to take up study of 100 BCs/BCAs in the districts allocated to you in a pre-designed questionnaire for the purpose.

You are requested to kindly indicate the budget for undertaking the Study in the districts allotted to you by 8th May 2012.

Yours faithfully,  
  
(K V Satyanarayana)  
Asst. General Manager.

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कृपया अधिकाधिक पत्राचार हिन्दी में करें

**Appendix-2: List of BCs Covered Under the Study in Anantapur District**

<b>Name of the Bank &amp; BC</b>	<b>Village</b>	<b>Mandal</b>
<b>A. Andhra Bank</b>		
1. Mr. H. Mukkanna	Bramhasamudram	Brahmasamudram
2. Ms. Syamanna	West Kodipalli	Brahmasamudram
3. Mr. Somashekar	Bairasamudram	Brahmasamudram
4. Mr. Anandha	Eradikera	Brahmasamudram
5. Mr. B.chandrasekhar Reddy	regatipally	Dharmavaram
6. Ms. N.A.Prashanthi	Mallakaluva	Dharmavaram
7. Mr. P.Chandrashekhar Reddy	Basinepalli	Gooty
8. Mr. Kiran Kumar	Chapiri	Kalyanadurgam
9. Mr. Satish	Malayanuru	Kundurpi
10. Mr. Mohan Rao	Gooty Ananthapur	Peddavaguru
11. Mr. Venkatarami Reddy	Ayyavaripally	Tadipatri
12. Ms. Venkata durga	Sajjaladinne	Tadipatri
13. Ms. K. Peddakka	Chukkalur	Tadipatri
<b>B. Sate Bank of India</b>		
14. Mr. K.Venkatarami Reddy	Konuthuru	Dharmavaram
15. Ms. Prabavathi	Malugur	Hindupur
16. Mr. T.Srinivasa Reddy	Tagarakunta	Kanaganapally
17. Mr. V.Ram mohan Reddy	Elukuntla	Kanaganapally
18. Mr. Ramanjaneeyulu	Erramanchili	Penugonda
19. Mr. K.Ravikumar	Rampuram	Penugonda
20. Mr. Narasimha Reddy	Mavaturu	Penugonda
21. Ms. N Umadevi	Naguluru	Penugonda
<b>C. Syndicate Bank</b>		
22. Mr. A.Kristaiah	Karidikonda	Gooty
23. Mr. P.Mahaboobkhan	Pathakothapeta	Gooty
24. Mr. Satyanarayana	Hulikallu	Kalyanadurgam
25. Mr. B.Veeranna	Jambagubula	Kundurpi
26. Mr. E.Somanath	Apilepalli	Kundurpi
27. Ms. Shiva Laxmi	Laxmanpalli	Kundurpi
28. Mr. Ram Mohan	Nizavalli	Kundurpi
29. Mr. Vijaya Baskar	Bestarapally	Kundurpi
30. Mr. G.Ravikumar	Sirivaram	Lepakshi
31. Mr. Anandappa	Mannepalli	Lepakshi
32. Mr. K.Ramamohan	Kodipalli	Lepakshi
33. Mr. C.Murali Krishnaiah	Venkatampally	Narpala
34. Mr. V,ram mohan Reddy	nadimdoddi	Narpala
35. Mr. M.Rangaswamy	c.bandlapally	Singanamala
36. Mr. Dastagiri Sayyad	Peravali	Singanamala

**Appendix-3: List of BCs Covered Under the Study in Kurnool District**

<b>Name of the Bank &amp; BC</b>	<b>Village</b>	<b>Mandal</b>
<b>A. Andhra Bank</b>		
1. Mr. B.Mallikarjunudu	Obulampally	Allagadda
2. Mr. B.Sivaprasad	G.Jammaladinne	Allagadda
3. Mr. Parmeshwar Reddy	Yeddupenta	Dhone
4. Mr. K.Ramanjaneyulu	Chanugondla	Dhone
5. Mr. K.Pavan kumar Reddy	Venkatapuram	Dhone
6. Mr. B.Gopal Reddy	Kothakota	Dhone
7. Mr. B Manohar	U Bollavaram	Mahanandi
8. Mr. Suresh	Nandipalli	Mahanandi
9. Mr. Jai chandra Narayana	Thimmapuram	Mahanandi
10. Mr. C. Sai Pulendra	Veepanagandla	Miduthuru
11. Mr. G Vishnu	Alluru	Nandikotkur
12. Mr. Y. Udayakumar	Chabolu	Nandyala
13. Mr. R. Laxmi Reddy	Moolasagaram	Nandyal-Rural
14. Mr. Srinivasa	Kotakonda	Rudravaram
15. Mr. N.Suryapratap Reddy	Muthaluru	Rudravaram
<b>B. State Bank of India</b>		
16. Mr. Boya Sreenivasulu	Alawala	Gonegandla
17. Mr. V Janardhan Acharya	Peddanelaturu	Gonegandla
18. Mr. Vishwanath Reddy	Kullumalla	Gonegandla
19. Ms. G Amarnath	Penchikalapadu	Gudur
20. Mr. Hazimalan Babu	Mugathi	Nandanavanam
<b>C. Syndicate Bank</b>		
21. Mr. H Mahesh	Nagamathemahalli	Adoni
22. Mr. Vadala Nagappa	Madira	Adoni
23. Mr. Mallikarjunnappa	Sendathakodur	Adoni
24. Ms. Subhadra	Bichigiri	Adoni
25. Mr. Parlapalli Seenivasa Rao	Ahobilam	Allagadda
26. Ms. Sarohini Devi	Bachepalli	Allagadda
27. Mr. M.Beemalingappa	Beladona	Chippagiri
28. Mr. K.Sreenivasulu	Yeruru	Chippagiri
29. Mr. BaseerAhammed	Hampa	Maddikera
30. Mr. G.Chandrasekhar	Agraharam	Maddikera
31. Mr. K.S.Ramakrishna	Billalapuram	Nandyala
32. Ms. Lakshamma	Peddakambuluru	Rudravaram

**Appendix-4: List of BCs Covered Under the Study in Nellore District**

<b>Name of the Bank &amp; BC</b>	<b>Village</b>	<b>Mandal</b>
<b>A. Andhra Bank</b>		
1. Ms. Bharathi	Musunuru	Kavali
2. Mr. S Subramanyam	Budumagunta	Kavali
3. Ms. Jayasree	Leguntapadau	Kovvur
4. Mr. Shafi	Amancherla	Nellore
<b>B. State Bank of India</b>		
5. Ms. VenkataSubamma	Bandarupalle	Atmakur
6. Ms. G Anuradha	Battepadu	Atmakur
7. Ms. Sampurnamma	Kadivedu	chllakur
8. Ms. Sulochana	Oduru	chllakur
9. Mr. Haribabu	Nellatur	Gudur
10. Ms. Shiresha	South Alamuru	Indukevipet
11. Mr. T. Yalamandaiah	Jammala palem	Jaladanki
12. Mr. G Ram Prasad	Peddakondaleru	Kaligiri
13. Mr. U.Narasimha Reddy	Nagasamudram	Kaligiri
14. Mr. Srinivasulu	Guttugundala	Kondapuram
15. Mr. Karimulla	Kothapalem	Kota
16. Mr. Haribabu	Kothaptnam	Kota
17. Mr. Ramanaiah	Chendodu	Kota
18. Mr. Venkateswarlu	Piduru	Manubolu
19. Ms. Charitha	La Sagaram	Naidupeta
20. Mr. Sripathi Kiran Kumar	Annamedu	Naidupeta
21. Ms. Podalakuru Subamma	Navooru	Podalakuru
22. Mr. S.Ravikumar	Nedurupally	Podalakuru
23. Mr. K. Ashok kumar	Prabhagiripatnam	Podalakuru
24. Mr. D. Manoj Nath	Shar Project, Sriharikota	Sulluripeta
25. Mr. Srinivasulu	Balireddipalem	Vakadu
<b>C. Syndicate Bank</b>		
26. Mr. Giri kumar	Nagamabapuram	Bucchireddypalem
27. Mr. M.Migomi	Vavveru	Bucchireddypalem
28. Mr. Peta Ramesh	Utchur	DV Satram
29. Ms. Sudha	Kesavaram	Kota
30. Ms. Vani	Vanjivaka	Kota
31. Ms. K.Aruna	Biradavolu SC colony	Podalakuru
32. Mr. Y. Satish	Mangalampadu	Sulluripeta

#### Appendix-5: List of Officials Contacted by the Study Team

Name of the official	Designation	Organization	District
1. Mr. Anantaraman	DGM	SYB	Anantapur
2. Mr. Ravindra Prasad	AGM	NABARD	Anantapur
3. Mr. Jaya Sankar	LDM	SYB	Anantapur
4. Mr. Sivanagararu	FIC	SBI	Anantapur
5. Mr. R.K. Kishore	Nodal Officer	SYB	Anantapur
6. Mr. Amaresh	BM	AB	Anantapur
7. Mr. Vijaya Bharath	BM	SYB	Anantapur
8. Mr. P Krishna	BM	SBI	Anantapur
9. Mr. A.Seetha Rama Krishna	BM	SBI	Anantapur
10. Mr. Durga Prasad	DGM	AB	Kurnool
11. Mr. Shariff	AGM	NABARD	Kurnool
12. Mr. Andavar	LDM	SYB	Kurnool
13. Mr. Sundaram	Nodal Officer	AB- RO	Kurnool
14. Mr. Sashibhusan	FIC	SBI	Kurnool
15. Mr. L. Seshi Bushana Rao	FIC	SBI	Kurnool
16. Mr. Surya Mohan	BM	SYB	Kurnool
17. Mr. Chandrasekhar Reddy	BM	SYB	Kurnool
18. Mr. Krishna Rao	BM	SYB	Kurnool
19. Mr. B Raveendranath Reddy	BM	AB	Kurnool
20. Mr. Shyam Babu	BM	AB	Kurnool
21. Mr. Suresh	FIO	AB	Nellore
22. Mr. Sheshagiri Rao	DGM	APGB	Nellore
23. Mr. Mohan Reddy	DGM	SYB	Nellore
24. Mr. R.V.Reddy	AGM	NABARD	Nellore
25. Mr. Venkateswara Rao	LDM	SYB	Nellore
26. Mr. Kasi Reddy	AGM	SYB	Nellore
27. Mr. Niranjana Reddy	Nodal Officer	APGB	Nellore
28. Mr. Nethaji	FIC	SBI	Nellore
29. Mr. Sankaraiah	FIC	SBI	Nellore
30. Mr. K. Sudhakar	FIM	SBI	Nellore
31. Mr. MLVS Prakash	Sr. Manager	SBI	Nellore
32. Mr. B Narayana Rao	Sr.BM	SYB	Nellore
33. Mr. Nagendram	BM	SBI	Nellore
34. Mr. Manakondiah	BM	AB	Nellore
35. Mr. Koteswar Rao	BM	APGB	Nellore
36. Mr. Suresh	BM	AB	Nellore
37. Mr. Sumithrananda Reddy	BM	SBI	Nellore



## Appendix-6: Interview Schedule for Business Correspondents



### A Study on Impact of Business Correspondents in Anantapur, Kurnool and Nellore Districts of Andhra Pradesh

Study sponsored by NABARD, RO, Hyderabad & Conducted by APMAS

#### Format-1: Business Correspondents

##### A. Identification details

Schedule No \_\_\_\_\_

- 1 Identification details of the respondent
  - a. Name of the BC: \_\_\_\_\_ b. Village: \_\_\_\_\_
  - c. Mandal: \_\_\_\_\_ d. District: \_\_\_\_\_
2. Personal profile of business correspondent (*Tick any one from the options given*)
  - a. Gender : 1. Male 2. Female
  - b. Marital status : 1. Married 2. Unmarried 3. Widowed/Separated
  - c. Education : 1. 8-10<sup>th</sup> 2. Intermediate 3. Degree/PG
  - d. Social category : 1. ST 2. SC 3. BC 4. Min 5. OC
  - e. Type of house : 1. Colony house 2. Thatched 3. Tiled 4. Pucca
  - f. Household income: Rs. \_\_\_\_\_ per annum
  - g. Occupational details of BC Household (*Enter code from the list below*)
    1. Primary: \_\_\_\_\_ 2. Secondary: \_\_\_\_\_
    1. Agriculture 2. Agriculture labour 3. Animal Husbandry
    4. Non-farm labour 5. Caste Occupation 6. NTFP collection
    7. Seasonal business 8. Salaried job 9. Petty Business/kirana shop
    10. Small enterprise 11. Other (specify) \_\_\_\_\_
3. Give the details of BC's association with bank
  - a. Name of the bank \_\_\_\_\_ b. Name of base bank branch \_\_\_\_\_
  - c. Distance to bank in Km \_\_\_\_\_ d. Local travel fare Rs. \_\_\_\_\_
  - e. Date of joining as BC \_\_\_\_\_ f. Name of TSP Agency \_\_\_\_\_

##### B. Awareness on Business Correspondent's Activities

- 1 Awareness and participation of BCs in the following activities (*Please tick*)

<u>Activities</u>	<u>Awareness-1</u>	<u>Taken up-2</u>
a. Identification of borrowers	: 1. Yes 2. No	: 1. Yes 2. No
b. Creating awareness on financial literacy	: 1. Yes 2. No	: 1. Yes 2. No
c. Preliminary processing of applications	: 1. Yes 2. No	: 1. Yes 2. No
d. Submission of applications to banks	: 1. Yes 2. No	: 1. Yes 2. No
e. Post –sanction monitoring	: 1. Yes 2. No	: 1. Yes 2. No
f. Follow-up for recovery	: 1. Yes 2. No	: 1. Yes 2. No
g. Disbursal of small value credit	: 1. Yes 2. No	: 1. Yes 2. No
h. Collection of small value deposits	: 1. Yes 2. No	: 1. Yes 2. No

- i. Sale of micro insurance products : 1. Yes 2. No :1. Yes 2. No
- j. Receipt & delivery of small remittances : 1. Yes 2. No :1. Yes 2. No
2. Details of awareness camps conducted in the village with the help of banks
- a. No. of meetings organized : \_\_\_\_\_
- b. No. of participants (multiple ans) : 1. BM 2. SSC 3. villagers\_\_\_\_\_
- c. Purpose of meetings : 1. \_\_\_\_\_  
2. \_\_\_\_\_
3. Details of awareness activities of BCs in the villages
- a. \_\_\_\_\_ b. \_\_\_\_\_
- c. \_\_\_\_\_ d. \_\_\_\_\_
4. Problems and issues faced in awareness creation by the BCs
- a. \_\_\_\_\_ b. \_\_\_\_\_
- c. \_\_\_\_\_ d. \_\_\_\_\_

**C Outreach / Coverage**

1. Details of households opened bank account with Business Correspondent
- a. Total no. of households in the village : \_\_\_\_\_
- b. Total no. of members enrolled with BC/applications : \_\_\_\_\_
- c. No. of members received Smart Cards : \_\_\_\_\_
- d. No. of members actually using smart cards at present : \_\_\_\_\_
- e. No. of member already have account in banks : \_\_\_\_\_
- f. Specify category-wise the percentage of accounts  
1. Men: \_\_\_\_\_ 2. Women: \_\_\_\_\_ 3. Students: \_\_\_\_\_
- g. Household members and the enrollment with BC  
1. one A/c \_\_\_\_\_ 2. Two A/cs \_\_\_\_\_ 3. Three & above A/cs \_\_\_\_\_
- h. Average time taken to get smart card : \_\_\_\_\_ days
- i. What are the problems in opening an account/getting smart card?  
1. \_\_\_\_\_  
2. \_\_\_\_\_  
3. \_\_\_\_\_

**D. Financial Services**

1. Details of average of financial transactions
- | <u>Activity</u>                            | <u>Receipts-1</u> | <u>Payments-2</u> |
|--|-------------------|-------------------|
| a. Average no. of receipts in a day        | : _____           |                   |
| b. Average no. of payments in a day        |                   | : _____           |
| c. Lower limit of amount in Rs.            | : Rs. _____       | : Rs. _____       |
| d. Upper limit of amount in Rs.            | : Rs. _____       | : Rs. _____       |
| e. Average amount of cash on hand in a day | : Rs. _____       |                   |

- f. Average turnover of amount in a day : Rs. \_\_\_\_\_
- g. Avg. total turnover during the last six months : Rs. \_\_\_\_\_
- h. If the BC is not functioning, since how long: \_\_\_\_\_ in months
- 2 Details of mobilization of small value deposits mobilized, if any
- a. No. of deposits: \_\_\_\_\_ b. Value of deposits: Rs. \_\_\_\_\_
- 3 Details of receipts and delivery of small remittances, if any
- a. No. of accounts: \_\_\_\_\_ b. Amount : Rs. \_\_\_\_\_
- 4 Details sale of micro insurance products /mutual fund products/pensions, if any
- a. No. of accounts: \_\_\_\_\_ b. Value of products: Rs. \_\_\_\_\_
- 5 Details of disbursement of small value credit/loans if any
- a. Total no. of loans: Rs. \_\_\_\_\_ b. Total amount of credit Rs. \_\_\_\_\_
- c. Total amount of outstanding (all borrowers) Rs. \_\_\_\_\_

**E Support from bankers/Technology Service Providers (TSP)**

- 1 Details of trainings attended on BC activities

<u>Training on topics</u> <u>(1)</u>	<u>No. of</u> <u>days (2)</u>	<u>Place of</u> <u>training (3)</u>	<u>Opinion on</u> <u>training (4)</u>	<u>Issues or</u> <u>problems (5)</u>
a. _____	_____	_____	_____	_____
b. _____	_____	_____	_____	_____
c. _____	_____	_____	_____	_____

- 2 Details of the infrastructure provided to the BCs by the banks/TSP
- a. Laptop : 1. Yes 2. No b. Battery (2) : 1. Yes 2. No
- c. Web camera : 1. Yes 2. No d. Finger print Mach. : 1. Yes 2. No
- e. Local travel : 1. Yes 2. No f. PoS Machine (PM) : 1. Yes 2. No
- g. Other \_\_\_\_\_ : 1. Yes 2. No h. Other (specify\_\_\_\_ : 1. Yes 2. No

- 3 Details of PoS Machine (PM)

- a. Have you received training on usage of PM: 1. Yes 2. No
- b. Deposit/ payment made to get PM, if any : Rs. \_\_\_\_\_
- c. Working condition of PoS Machines (*Tick one from the options given below*)
1. Working 2. Not working/ repair 3. Working but not using 4. with TSP
- d. Do you face any problems with PoS Machine? If yes, please mention.
1. \_\_\_\_\_ 2. \_\_\_\_\_
3. \_\_\_\_\_ 4. \_\_\_\_\_

- 4 Details of honorarium and the opinion of BCs

- a. Honorarium: Rs. \_\_\_\_\_ b. Commission Rs. \_\_\_\_\_
- c. Periodicity of payment (*Tick any one of the options given below*)
1. Monthly 2. Quarterly 3. Half yearly 4. Bullet payment 5. No schedule
- d. Amount received so far : Rs. \_\_\_\_\_

- e. Timeliness of the payment : 1. Regular 2. No schedule
- f. Opinion on the honorarium : 1. Very small 2. Small 3. Moderate
- g. Ideal amount of honorarium : Rs. \_\_\_\_\_
- h. Ideal amount of commission : Rs. \_\_\_\_\_
- i. What are the criteria for paying the amount of commission
  - 1. \_\_\_\_\_
  - 2. \_\_\_\_\_
- j. What are the problems/ issues relating to the payment of remuneration?
  - 1. \_\_\_\_\_
  - 2. \_\_\_\_\_
  - 3. \_\_\_\_\_

5 Details of payment of maintenance charges

- a. Computer : 1. Yes 2. No
- b. SMS charges : 1. Yes 2. No
- c. Telephone calls : 1. Yes 2. No
- d. Stationary : 1. Yes 2. No
- e. Local travel : 1. Yes 2. No
- f. Any other : 1. Yes 2. No

6 Details of maintenance of Office:

- a. Location of the outlet : (Tick any one of the options given below)
  - 1. At home
  - 2. BC visit client houses
  - 3. Public Place (specify) \_\_\_\_\_
- b. Working hours : \_\_\_\_\_
- c. Display of Sign board 1. Displayed 2. Not displayed
- d. Issues relating to maintenance of infrastructure
  - 1. \_\_\_\_\_
  - 2. \_\_\_\_\_
  - 3. \_\_\_\_\_

**F Monitoring and Risk Management**

1. Details of books and their maintenance

<u>Particular</u>	<u>(1) Maintaining</u>	<u>(2) Up-dating</u>	<u>(3) Issues if any</u>
a. Cash book	:1-Yes 2-No	:1-Yes 2-No	: _____
b. Vouchers	:1-Yes 2-No	:1-Yes 2-No	: _____
c. Client data base	:1-Yes 2-No	:1-Yes 2-No	: _____
d. Any other _____	:1-Yes 2-No	:1-Yes 2-No	: _____

2 How would you account all off-line transactions?

- a. \_\_\_\_\_
- b. \_\_\_\_\_

3 Does BC issuing a receipt for every transaction? 1. Yes 2. No

4 If no, what are the reasons for not issuing the receipt?

- a. \_\_\_\_\_
- b. \_\_\_\_\_

4.1 Who carry cash from bank to BC/Outlet point: 1. Bank 2. BC 3. Both 4. Other\_

4.2 What are the problems/ in carrying cash from bank to BC-outlet point?  
 a. \_\_\_\_\_ b. \_\_\_\_\_

5. Review mechanism (during the last six months)

Particulars	TSP (1)	Bank-(2)
a. No. of visits made	: _____	: _____
b. Purpose of visit	: _____	: _____
c. Place of review	: _____	: _____
d. Problems/issues discussed	1 _____ 2 _____ 3 _____	1 _____ 2 _____ 3 _____

6. Problems/ Complaints made, time taken and the solutions provided

Problem	To whom (1)	Time taken (2)	Status of the problem (3)
a. _____	1-Bank 2- TSP	____ days	_____
b. _____	1-Bank 2- TSP	____ days	_____
c. _____	1-Bank 2- TSP	____ days	_____
d. _____	1-Bank 2- TSP	____ days	_____
e. _____	1-Bank 2- TSP	____ days	_____
f. _____	1-Bank 2- TSP	____ days	_____
g. _____	1-Bank 2- TSP	____ days	_____

7. Details of replacement of BCs

a. Does any BC(s) stopped before your appointment : 1- Yes \_\_\_\_\_ 2-No \_\_\_\_\_

b. If yes, what are the reasons for stopping  
 1 \_\_\_\_\_ 2 \_\_\_\_\_

**G Voices of BCs and Clients**

1. Mention the list of services that the customers expecting through BCs

a. \_\_\_\_\_  
 b. \_\_\_\_\_  
 c. \_\_\_\_\_

2. What are your suggestions for the better functioning of BCs?

a. \_\_\_\_\_  
 b. \_\_\_\_\_  
 c. \_\_\_\_\_

**H Researcher's observations:**

a. \_\_\_\_\_  
 b. \_\_\_\_\_  
 c. \_\_\_\_\_  
 d. \_\_\_\_\_

Date \_\_\_\_\_ Signature of the Researcher \_\_\_\_\_

**Appendix-7: Interview Schedule for Account Holders**



**A Study on  
Impact of Business Correspondents in Anantapur,  
Kurnool and Nellore Districts of Andhra Pradesh**

*Study sponsored by NABARD, RO, Hyderabad & Conducted by APMAS*

**Format -2: Account Holder**

**A. Identification details** **Schedule No** \_\_\_\_\_

- 1 Identification details of the respondent
- a. Name of the respondent: \_\_\_\_\_ b. Village: \_\_\_\_\_  
 c. Mandal: \_\_\_\_\_ d. District: \_\_\_\_\_  
 e. Name of base bank of BC: \_\_\_\_\_ f. Period of association with BC: \_\_\_\_\_ months

**B. Profile of Account Holders**

1. Personal profile of Account Holder *(Tick any one from the options given)*
- a. Social category : 1. ST                      2. SC                      3. BC                      4. Min                      5. OC  
 b. Education : 1. Illiterate                      2. Upto 5<sup>th</sup>                      3. 6<sup>th</sup>-10<sup>th</sup>                      4. Inter                      5. Degree  
 c. Household income: Rs. \_\_\_\_\_ per annum  
 d. Occupational details of Account holder's HH *(Enter code from the list below)*  
     d.1. Primary: \_\_\_\_\_                      d.2. Secondary: \_\_\_\_\_  
     1. Agriculture                      2. Agriculture labour                      3. Animal Husbandry  
     4. Non-farm labour                      5. Caste Occupation                      6. NTFP collection  
     7. Seasonal business                      8. Salaried jobs                      9. Petty Business  
     10. Small enterprise                      11. Other (specify) \_\_\_\_\_

2. Details of Household members having account in banks and BC

<u>Details</u>	<u>Total (1)</u>	<u>Men (2)</u>	<u>Women (3)</u>	<u>Children (4)</u>
a. Total Accounts in the HH	_____	_____	_____	_____
b. Bank (any bank)	_____	_____	_____	_____
c. Business Correspondent	_____	_____	_____	_____
d. Smart cards received	_____	_____	_____	_____

**C. Awareness on the BCs and financial services**

- 1 How do you know about Business Correspondent (BC) model?  
 1. BC                      2. SHGs/VO                      3. Banks                      4. TSP                      5. Other (specify) \_\_\_\_\_
- 2 Awareness of Account Holders on the services of BCs *(Multiple answers)*  
 a. Promote savings                      b. Promote deposits                      c. Small loans  
 d. Remittances                      e. Micro-insurance                      f. Opening of Bank A/c  
 g. Any other Specify \_\_\_\_\_
- 3 Details of awareness camps attended organized by Banks  
 a. No. of meetings organized : \_\_\_\_\_  
 b. No. of participants (multiple ans) : 1. BM                      2. SSC                      3. villagers \_\_\_\_\_

c. Purpose of meetings : 1 \_\_\_\_\_  
2 \_\_\_\_\_

**D. Financial Services Availed**

1 Details of average of financial transactions

<u>Activity</u>	<u>Deposits-1</u>	<u>Withdrawals-2</u>
a. Average no. of transactions in a month	_____	_____
b. The smallest amount of transaction	: Rs. _____	: Rs. _____
c. The largest amount of transaction	: Rs. _____	: Rs. _____
d. Average amount of balance in the A/c	: Rs. _____	in a month
e. Average turn over in a month	: Rs. _____	: Rs. _____
f. Average turn over during the last six months	: Rs. _____	
g. If the BC is not functioning, since how long;	_____	in months

2. Details of financial services availed other than savings

a. Small value credit Rs. \_\_\_\_\_ b. Term deposits: Rs. \_\_\_\_\_  
c. Micro insurance Rs. \_\_\_\_\_ d. Remittances Rs. \_\_\_\_\_

3 Mention the following relating to the functioning of BCs

a. Does BC gives voucher for every transaction to you : 1-Yes 2-No  
b. Does BC accessible during business hours : 1-Yes 2-No  
c. How frequently that the BC is not available in a month : \_\_\_\_\_ days  
d. Does BC attends all your queries : 1-Yes 2-No  
e. Have you/other made any complaint(s) against BC : 1-Yes 2-No  
f. Have you deposited/withdrawn the amount without any receipt from the BC : 1-Yes 2-No  
g. Have you returned any time because of closing of BC : 1-Yes 2-No  
h. Have you made off-line transactions any time : 1-Yes 2-No

4 Mention the payments made for the following services, if any

a. Processing of application Rs. \_\_\_\_\_ b. Smart Card: Rs. \_\_\_\_\_  
c. Deposit/Withdrawal Rs. \_\_\_\_\_ d. Any other specify \_\_\_\_\_ Rs. \_\_\_\_\_

5. Mention the problems faced for withdrawing or depositing the amount

a. Depositing of amount 1 \_\_\_\_\_  
2 \_\_\_\_\_  
3 \_\_\_\_\_  
b. Withdrawing of amount 1 \_\_\_\_\_  
2 \_\_\_\_\_  
3 \_\_\_\_\_

- c. Other (specify) 1 \_\_\_\_\_  
 2 \_\_\_\_\_  
 3 \_\_\_\_\_

**E Voices of Account Holders**

- 1 Mention the advantages to you due to the presence of BC in the village  
 a. \_\_\_\_\_  
 b. \_\_\_\_\_  
 c. \_\_\_\_\_  
 d. \_\_\_\_\_
- 2 Give your opinion on the following (*Changes happened at your household level due to opening of account with BC in your village*)
- |                              |              |             |             |
|------------------------------|--------------|-------------|-------------|
| a. Habit of savings          | :1-Increased | 2-Decreased | 3-No change |
| b. Credit access             | :1-Increased | 2-Decreased | 3-No change |
| c. Usage of banking services | :1-Increased | 2-Decreased | 3-No change |
| d. Taking of hand loans      | :1-Increased | 2-Decreased | 3-No change |
| e. Unnecessary expense       | :1-Increased | 2-Decreased | 3-No change |
| f. Dependency on ML          | :1-Increased | 2-Decreased | 3-No change |
| g. Regularity of payments    | :1-Increased | 2-Decreased | 3-No change |
| h. Earnings-saving linkage   | :1-Increased | 2-Decreased | 3-No change |
- 3 Mention the list of services that you are expecting from the BCs  
 a. \_\_\_\_\_  
 b. \_\_\_\_\_  
 c. \_\_\_\_\_
- 4 What are your suggestions to bank/BC for providing better services to you  
 a. Banks 1 \_\_\_\_\_  
 2 \_\_\_\_\_  
 3 \_\_\_\_\_  
 b. Business correspondent 1 \_\_\_\_\_  
 2 \_\_\_\_\_  
 3 \_\_\_\_\_

**H Researcher's observations:**

- a. \_\_\_\_\_  
 b. \_\_\_\_\_  
 c. \_\_\_\_\_

Date \_\_\_\_\_

*Signature of the Researcher*



## Appendix-8: Introductory Letter from NABARD



"ग्रामीण समृद्धि की सेवा में समर्पित"  
"COMMITTED TO RURAL PROSPERITY"

आन्ध्र प्रदेश क्षेत्रीय कार्यालय  
1-1-61, आर.टी.सी. क्रास रोड्स  
मुशीराबाद, पो. बॉ. सं. 1863  
हैदराबाद - 500 020

Andhra Pradesh  
Regional Office 1-1-61,  
RTC X Roads  
Musheerabad, P.B.No.1863  
HYDERABAD -500 020

राष्ट्रीय कृषि और ग्रामीण विकास  
बैंक  
NATIONAL BANK FOR  
AGRICULTURE  
AND RURAL DEVELOPMENT

फोन /Tel : 27685555,27685200, 27612651  
फैक्स / Fax : 27611829  
ई-मेल / E-Mail : hyderabad@nabard.org

Ref.No.NB.APRO.HYD.MCID / /F IO/2012-13 Dated: 16 July 2012

The Chairman  
Andhra Pradesh Grameena Vikas Bank  
Head Office,H NO 2-5-8/1  
Ramnagar, Hanamkonda  
Warangal-506001  
Ph: 0870-2577977/2577744  
Fax: 0870-2550370  
email:[apgvikasbank2006@yahoo.co.in](mailto:apgvikasbank2006@yahoo.co.in)

The General Manager  
Financial Inclusion Department  
State Bank of India  
Local Head Office,  
Bank Street, Koti,  
Hyderabad- 500 095.

The General Manager  
Financial Inclusion Department  
Andhra Bank  
5-9-11, Dr Pattabhi Bhavan,  
Secretariat Road, Saifabad  
Hyderabad 500 004.

Dear Sir

### **Impact Study of Business Correspondents (BCs).**

As you aware the Government of India had undertaken a major initiative aimed at financial inclusion by extending the reach of the banking and other financial services to the hitherto unserved areas. Accordingly Banks have initiated the process of extending banking services through new bank branches and banking correspondents in the habitations with population of 2000 and more as per 2001 census. In order to assess the effectiveness of BCs in financial Inclusion, we have entrusted the Impact study of BCs to the following agencies:

Sr No	Agency	Districts to be covered
1	Access-Assist	Krishna,Prakasam & West Godavari
2	APMAS	Ananantapur,Kurnool and Nellore
3	Crux Management	Mahabubnagar,Medak

In this connection you are requested to provide necessary support and cooperation to these agencies to enable them to complete the study in time. You may also advise your branch officials to extend necessary help in this regard

sd/-  
(P K Panda)  
Deputy General Manager

Endt.No.NB.APRO.HYD.MCID / /F I0/2012-13 Dated: 03 July 2012

Copy forwarded to AGM(DD) of Ananantapur, Krishna, Kurnool, Mahabubnagar, Medak, Nellore, Prakasam and West Godavari districts with an advise to extend necessary support to these agencies.

2. The Regional Director(South), M/s Access Assist,H No 1-8-450/1, B-18,Indian Airlines Colony, Prakash Nagar,Begumpet, Hyderabad
3. The Chief Executive Officer, APMAS,Plot No.20, Rao & Raju Colony,Road No.2, Banjara Hills,Hyderabad 500 034
- 4 The Chief Executive Officer, CRUX Management Services (P) Ltd.,No.410, Life Style Building, 4th Floor,My Home Tycoon, Kundanbagh, Begumpet,Hyderabad 500 0016

(J Hariharan)  
Manager

## Appendix-9: Study Team and Fieldwork Plan for Data Collection

Date	District	Mandals visited
<i>Team-A: Mr. Naveen Kumar, QA Manager; 2. Mr. Venkateswarulu, CBM</i>		
<i>Team-B: Dr. S. Praballadaiah, R&amp;A-M; Ms. Geethanjali, CBM; 2. Ms. Bhagyalaxmi, CBO</i>		
<i>Team-C: Ms. B. Pravalika, RA; 2. Mr. M. Nagi Reddy, CBO</i>		
24.07.2009	Orientation	Orientation to Teams on the study at Anantapur Dr. K. Raja Reddy, Director-Research & Advocacy
25.07.2012	Anantapur	Team-A: 1. Gooty, 2. Peddavaduguru Team-B: 1. Tadipatri Team-C: 1. Brahmasamudram
26.07.2012	Anantapur	Team-A: 1. Lepakshi, 2. Hindupur Team-B: 1. Dharmavaram, 2. Kanaganapally Team-C: 1. Kundurpi
27.07.2012	Anantapur	Team-A: 1. Penugonda Team-B: 1. Narpala, 2. Singanamala Team-C: 1. Kalyanadurg Review on data collection
28.07.2012	Kurnool	Team-A: 1. Adoni Team-B: 1. Done Team-C: 1. Maddikera
29.07.2012	Kurnool	Team-A: 1. Nandikotkur, 2. Mahanandi Team-B: 1. Nandyal Team-C: 1. Chippagiri, 2. Miduthuru
30.07.2012	Kurnool	Team-A: 1. Rudravaram Team-B: 1. Allagadda, 2. Rudravaram Team-C: 1. Chippagiri
31.07.2012	Kurnool	Team-A: 1. Guduru, 2. Gonegandla, 3. Nandanavanam Team-B: 1. Nandyal Team-C: <i>(members joined with other groups)</i>
01.08.2012	Hyderabad	Review on data collection
07.08.2012	Nellore	Team-A: 1. Jaldanki, 2. Kaligiri, 3. Kondapauram Team-B: 1. Guduru, Chillakuru Team-C: 1. Sulluripeta, Nellore Main, Indukurpet
08.08.2012	Nellore	Team-A: 1. Kavali, 2. Atmakur Team-B: 1. Kota, 2. Vakadu Team-C: 1. Naidupeta, 2. DV Satram
09.08.2012	Nellore	Team-A: 1. Buchireddypalem, 2. Kovvur Team-B: <i>(Members joined with other groups)</i> Team-C: 1. Podalakuru

### Appendix-10: The Socio-economic Profile of Business Correspondents

S. No.	Particulars	Name of the District			Total (N=100)
		ATP (N=36)	KNL (N=32)	NLR (N=32)	
A	Gender				
1	Male	83.3	90.6	59.4	78.0
2	Female	16.7	9.4	40.6	22.0
	Total	100.0	100.0	100.0	100.0
B	Marital Status				
1	Married	91.7	87.5	68.8	83.0
2	Unmarried	8.3	12.5	31.3	17.0
	Total	100.0	100.0	100.0	100.0
C	Education				
1	8-10 Class	30.6	28.1	15.6	25.0
2	Intermediate	36.1	18.8	34.4	30.0
3	Degree/PG	33.3	53.1	50.0	45.0
	Total	100.0	100.0	100.0	100.0
D	Social Category				
1	Scheduled Caste	11.1	--	46.9	19.0
2	Backward Classes	36.1	53.1	34.4	41.0
3	Minorities	5.6	3.1	6.3	5.0
4	Open Category	47.2	43.8	12.5	35.0
	Total	100.0	100.0	100.0	100.0
E	Occupation				
1	Agriculture	38.9	43.8	34.4	39.0
2	Ag. Labour	--	--	9.4	3.0
3	Animal husbandry	2.8	--	--	1.0
4	Non-farm labour	2.8	--	--	1.0
5	Salaried job	19.4	15.6	34.4	23.0
6	Petty business	16.7	9.4	--	9.0
7	Small enterprise	19.4	15.6	18.8	18.0
8	Others	--	15.6	3.1	6.0
	Total	100.0	100.0	100.0	100.0
F	HH Annual Income				
1	< Rs. 50000	11.1	6.3	31.3	16.0
2	Rs. 50001- Rs. 100000	58.3	37.5	37.5	45.0
3	Rs. 100001 – Rs. 150000	8.3	25.0	15.6	16.0
4	> Rs. 150000	22.2	31.3	15.6	23.0
	Total	100.0	100.0	100.0	100.0

### Appendix-11: Socio-economic Profile of Account Holders

S. No.	Particulars	District			Total (N=195)
		ATP (N=72)	KNL (N=64)	NLR (N=59)	
A	Name of bank				
1	Andhra Bank	36.1	45.3	13.6	32.3
2	State Bank of India	22.2	17.2	69.5	34.9
3	Syndicate Bank	41.7	37.5	16.9	32.8
	Total	100.0	100.0	100.0	100.0
B	Period of association				
1	up to 12 months	70.8	67.2	84.7	73.8
2	More than 12 months	29.2	32.8	15.3	26.2
	Total	100.0	100.0	100.0	100.0
C	Social category				
1	Scheduled Tribe	1.4	--	--	0.5
2	Scheduled Caste	18.1	4.7	35.6	19.0
3	Backward Classes	54.2	60.9	45.8	53.8
4	Minorities	6.9	10.9	1.7	6.7
5	Open Category	19.4	23.4	16.9	20.0
	Total	100.0	100.0	100.0	100.0
D	Education				
1	Illiterate	40.3	31.3	28.8	33.8
2	Up to 5 <sup>th</sup>	18.1	12.5	15.3	15.4
3	6-10 class	31.9	40.6	28.8	33.8
4	College	9.8	15.7	27.2	16.9
	Total	100.0	100.0	100.0	100.0
E	Household Annual income				
1	Up to 50000	37.5	34.4	37.3	36.4
2	Rs. 500001 – 100000	50.0	45.3	35.6	44.1
3	Rs. 100000 – 150000	5.6	4.7	18.6	9.2
4	More than Rs. 150000	6.9	15.6	8.5	10.3
	Total	100.0	100.0	100.0	100.0
F	Primary occupation				
1	Agriculture	45.8	45.3	35.6	42.6
2	Ag. Labour	11.1	15.6	22.0	15.9
3	Animal husbandry	2.8	3.1	3.4	3.1
4	Non-farm labour	12.5	6.3	1.7	7.2
5	Caste occupation	5.6	--	--	2.1
7	Salaried jobs	1.4	3.1	13.6	5.6
8	Petty/seasonal business	9.7	4.7	5.1	6.6
9	Small enterprise	8.3	9.4	11.9	9.7
10	Others	2.8	12.5	6.8	7.2
	Total	100.0	100.0	100.0	100.0

**Appendix-12: Opinion of Account Holders on the Impact of BC Model**

Particulars	Opinion	Name of the bank			Total (N=195)
		AB (N=63)	SBI (N=68)	SYB (N=64)	
A. Habit of savings	1. Increased	30.2	61.8	57.8	50.3
	2. Decreased	0.0	0.0	0.0	0.0
	3. No change	69.8	38.2	42.2	49.7
	Total	100.0	100.0	100.0	100.0
B. Access to credit	1. Increased	0.0	11.8	9.4	7.2
	2. Decreased	0.0	2.9	0.0	1.0
	3. No change	100.0	85.3	90.6	91.8
	Total	100.0	100.0	100.0	100.0
C. Usage of banking services	1. Increased	28.6	66.2	50.0	48.7
	2. Decreased	0.0	1.5	0.0	0.5
	3. No change	71.4	32.4	50.0	50.8
	Total	100.0	100.0	100.0	100.0
D. Taking of hand loans	1. Increased	7.9	11.8	18.8	12.8
	2. Decreased	7.9	30.9	20.3	20.0
	3. No change	84.1	57.4	60.9	67.2
	Total	100.0	100.0	100.0	100.0
E. Unnecessary expense	1. Increased	6.3	4.4	7.8	6.2
	2. Decreased	17.5	52.9	43.8	38.5
	3. No change	76.2	42.6	48.4	55.4
	Total	100.0	100.0	100.0	100.0
F. Dependency on money lenders	1. Increased	0.0	0.0	0.0	0.0
	2. Decreased	11.1	39.7	39.1	30.3
	3. No change	88.9	60.3	60.9	69.7
	Total	100.0	100.0	100.0	100.0
G. Regularity of payments	1. Increased	7.9	41.2	29.7	26.7
	2. Decreased	0.0	1.5	1.6	1.0
	3. No change	92.1	57.4	68.8	72.3
	Total	100.0	100.0	100.0	100.0
H. Earnings-savings linkage	1. Increased	15.9	50.0	45.3	37.4
	2. Decreased	0.0	0.0	0.0	0.0
	3. No change	84.1	50.0	54.7	62.6
	Total	100.0	100.0	100.0	100.0

**Appendix-13: Banks and TSP-Wise Number of Business Correspondents**

S. No.	Name of the Bank	Name of the TSP	Study districts			AP
			ATP	KNL	NLR	
1	Allahabad Bank	Aurion Pro Technologies Pvt Ltd	0	0	0	7
2	Andhra Bank	M/s Bartronics India Ltd	32	45	14	967
3	Bank of Baroda	TCS Ltd.	0	0	3	46
4	Bank of India	Own Technology	0	0	2	33
5	Bank of Maharashtra	M/s Bartronics India Ltd	0	0	0	10
6	Canara Bank	M/s Integra Micro Systems	4	0	0	31
		M/s Bartronics India Ltd	7	5	0	66
7	Central Bank of India	M/s Integra Micro Systems	0	0	0	96
8	Corporation Bank	M/s Integra Micro Systems	7	0	1	24
		Fino	0	0	0	34
9	Indian Overseas Bank	Own Technology	0	0	3	136
10	Indian Bank	TCS Ltd.	0	0	0	246
11	Punjab National Bank	M/s Bartronics India Ltd	0	0	0	13
		ZMF/ALW	0	0	0	11
12	State Bank of India	Sahayog Micro Fin	15	0	0	154
		4G Identity Solutions	0	18	0	27
		Mainstream	0	0	0	38
		Ennela	0	0	0	4
		Own Technology	57	63	41	1097
		ZMF/ALW	0	0	0	67
13	State Bank of Hyderabad	M/s Interact Trust	0	0	0	367
		M/s Bartronics India Ltd	0	0	0	47
		HCL	0	0	0	197
		Coromandal	0	0	0	62
14	Syndicate Bank	Indian Grameen Services	57	29	0	150
		M/s Bartronics India Ltd	0	0	63	145
15	UCO BANK	M/s Bartronics India Ltd	0	0	0	19
16	Union Bank of India	ALW	3	0	5	164
		Coromandal	0	0	0	4
17	Vijaya Bank	M/s Integra Micro Systems	1	0	0	39
18	DGB	M/s Seed End to End Server	0	0	0	238
19	APGB	Interact/HCL Ltd.	169	129	53	495
20	APGVB	ALW/ZMF	0	0	0	413
		IRIX	0	0	0	410
21	SGB	M/s Bartronics India Ltd	0	0	0	165
22	CGGB	Coromandal Info Tech India	0	0	0	127
23	Ing-Vysya Bank	Basix-Sub-K	11	0	4	106
24	South Indian Bank	Individual BCS	0	0	0	3
25	Karnataka Bank	M/s Bartronics India Ltd	5	0	0	5
Total			368	289	189	6263

**Appendix-14: Bank-wise Number of Villages Allotted, Covered, BCs Appointed and FI Accounts Opened As on 30-06-2012.**

S. No.	Name of the bank	Total Number of			
		Villages allotted	Villages covered	BCs appointed	FI accounts opened
A	Public Sector Banks				
1	Allahabad Bank	12	12	7	2021
2	Andhra Bank	1054	1054	1033	647441
3	Bank of Baroda	48	48	46	23182
4	Bank of India	32	32	32	35276
5	Bank of Maharashtra	10	10	10	3802
6	Canara Bank	128	128	95	304143
7	Central Bank of India	102	102	95	56065
8	Corporation Bank	66	66	58	86591
9	Indian Bank	259	259	233	88430
10	Indian Overseas Bank	142	142	142	45019
11	Punjab National Bank	28	28	24	50949
12	State Bank of India	1387	1387	1316	735420
13	State Bank of Hyderabad	695	695	650	247234
14	Syndicate Bank	366	366	306	242816
15	UCO Bank	20	20	14	3408
16	Union Bank of India	168	168	156	126138
17	Vijaya Bank	43	43	40	1664
	Total	4560	4560	4257	2699599
B.	Regional Rural Banks				
18	DGB	252	252	249	46250
19	APGB	546	546	522	236754
20	APGVB	869	869	851	541266
21	SGB	169	169	158	5419
22	CCGB	128	128	127	33409
	Total	1964	1964	1907	863098
C.	Private Banks				
23	Ing Vysya Bank	110	110	110	58356
24	South Indian Bank	1	1	1	169
25	Karnataka Bank	5	5	5	0
	Total	116	116	116	58525
	Grand Total	6640	6640	6280	3621222

*Data Source: State Level Bankers' Committee, Andhra Pradesh*



**Appendix-15: District Wise Farmers Club in AP as on March 2012**

S. No.	Name of the district	No. of FCs
1	Adilabad	275
2	Anantapur	229
3	Chittoor	373
4	Kadapa	148
5	East Godavari	218
6	Guntur	400
7	Karimnagar	366
8	Khammam	281
9	Krishna	375
10	Kurnool	222
11	Mahaboobnagar	432
12	Medak	187
13	Nalgonda	229
14	Nellore	309
15	Nizamabad	274
16	Prakasam	268
17	Ranga Reddy	287
18	Srikakulam	381
19	Visakhapatnam	687
20	Vizianagaram	210
21	Warangal	861
22	West Godavari	326
	Total	7338

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