MicroSave
Market-led solutions for financial services
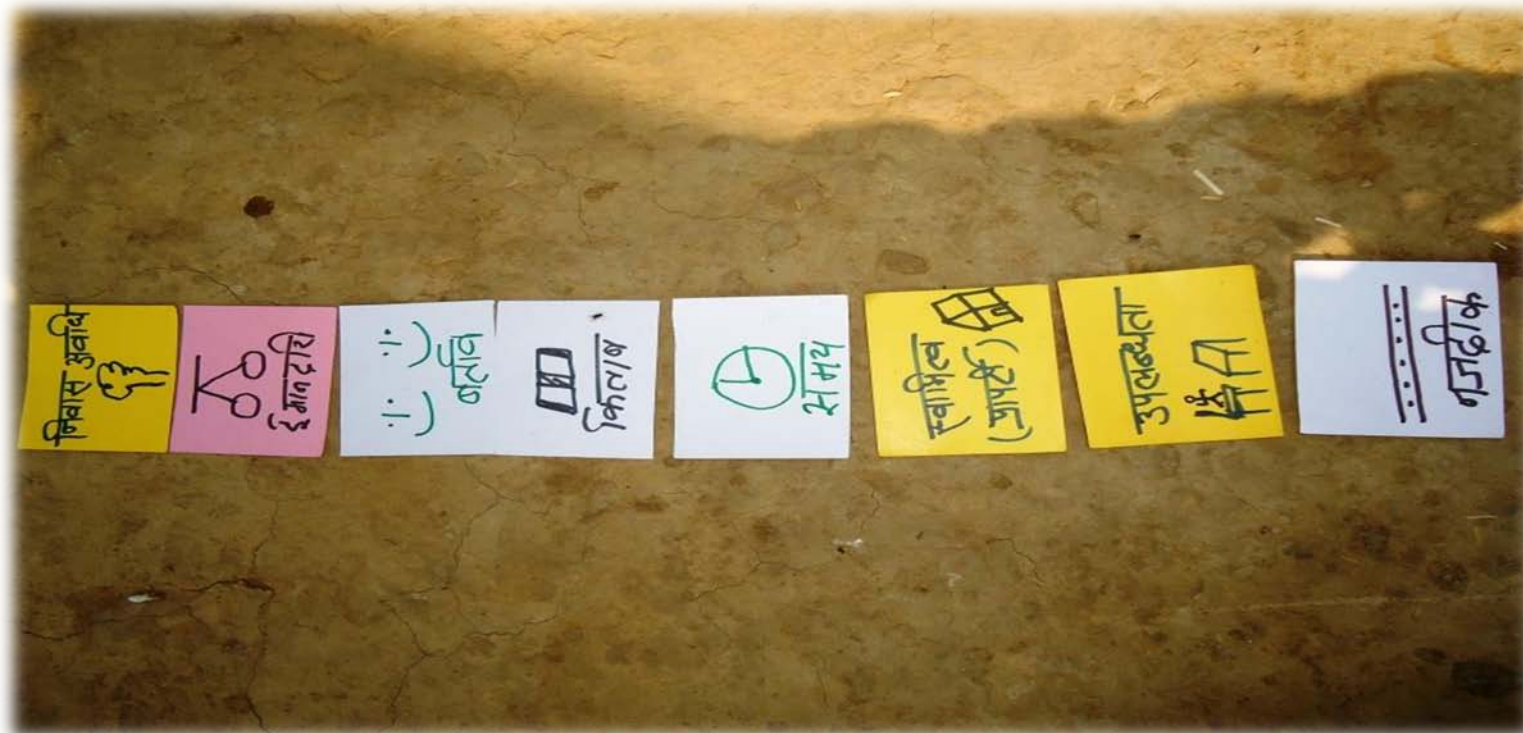
Optimising Agent Networks in Uttar Pradesh

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Disclaimer

Qualitative research is designed to look beyond the percentages to gain an understanding of the customer's belief, impressions and viewpoints. Gaining such insight into the hearts and minds of the customer is best acquired through tools like Focus Group Discussion and Participatory Rapid Appraisal with smaller, highly targeted samples. Qualitative research is not statistically representative but is much more appropriate for research that seeks to understand complex human financial behaviour.

Graphic Presentation

In this study, responses of the research questions have been presented in two different ways – in some of the questions, individual responses have been captured; however, in other questions consensus responses from the group as a whole are captured.

Individual responses are presented for the questions related to the respondent's profile, such as age, occupation, education and ownership of bank accounts etc. For the core research questions, group response is presented, as during a group discussion, it is very difficult to capture individual responses on the core questions. Such responses are captured only when a majority of group members reach to a consensus.

While presenting the findings, we have shown the percentage of respondents for responses captured from individual respondents and percentage of sessions, when responses are captured from a group.

There are cases where the moderators received multiple responses for the same question. In such cases, the sum total of responses exceeds one hundred percent.

Executive Summary

The Agent Network Model in this study examines a nested model in which banks hire business correspondent network managers (BCNMs) who, in turn, link to local retailers via their distribution networks. We refer to these retailers as BC service providers or agents. In this model, banks work with BCNMs to ensure that BC agent are trained and certified to act as the interface between banks and customers.

The study is an attempt to understand:
1) Characteristics that a potential customer seeks in a BC agent
2) Motivation for retailers and their distributors to join this model
3) Compatibility and possible conflicts between the need of the customer and agent

The study uses qualitative techniques of Focus Group Discussion, Attribute Ranking, and Individual Interviews. Respondents include potential customers both banked and un-banked, retailers and distributors from rural and semi-urban areas of Allahabad, Gorakhpur Mathura, and Agra districts of Uttar Pradesh (UP).
- For an agent, the most important characteristics are honesty, local domicile, education, and property ownership. Prompt service and a long-term business establishment matter, but <u>trust</u> matters more.
- Higher mobile penetration and lower mobile literacy in the areas included in this study indicate that future attempts to promote mobile banking may need patience, high investment, and customer training.

The following points present a quick overview of the pros and cons for the channels most commonly discussed:
- Grocery shops--FMCG (Fast Moving Consumer Goods):
  - In terms of hours open and ubiquity, grocery shops are a good choice for BC agents.
  - However, everyone has his or her favourite shop, and there are no fixed criteria for liking one versus another.
  - Grocers buy from numerous distributors or avoid them and use wholesalers.
- Medical shops:
  - Potential customers note that pharmaceutical retailers tend to be better educated and thus they expect banking procedures would be handled correctly.
  - But not every village has such a shop and shop keeper may not be able to give adequate time to banking business.
  - The distributor link is complicated, in this instance, by limited outreach to local retailers. Pharmacists seldom interact with their distributors.
- Telecommunication:
  - Airtime top-up agents appear to be strong candidates as they already serve as certified agents for mobile operators and understand mobile phones and technology.
  - Airtime sellers, however, are mostly young, male, and less particular about a top-up service. Customers wanting to opt for BC services are not convinced that top-up agents are capable of managing the more complicated banking responsibilities.
  - However, mobile distributors and their retailers interact frequently and there is a strong link between them.
- Many seem to prefer grocers and pharmacists because these businesses are more established and familiar—and women feel more at ease than they do in a mobile shop.

- Village groups, SHGs, school teachers and *Panchaya*t rank very low on trust and capability.
- Petrol stations are not accessible enough in the areas of this study to be viable BC service providers.

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Introduction and Background

Introduction

India's economic growth in recent years has been enviable. An estimated 2010 GDP growth of 8.45%, up from 7.4% in 2008 and 2009,[1] makes India one of the world's top 10 growth economies and one of the first to recover from the global 2008 financial crisis. These are encouraging and important indicators, but they ignore many of the substantive deterrents to India's future prosperity, including a still predominantly rural population who do not work in the wealthy services sector and who fail to support themselves via local agriculture. Internal migration to find work in urban areas and the subsequent increase in internal remittances, plus a variety of government programmes, allow many in remote villages to survive, but without regular and easy access to banking services, most of India's poor will remain excluded from the burgeoning statistics above.

Estimates for those without bank accounts or with inactive accounts vary from 41% to as high as 65%.[2] The principal reasons for such high rate of unbanked and under banked areas are inconveniently located bank branches and poor service offered. This situation is unlikely to improve despite a strong push for financial inclusion from the Reserve Bank of India (RBI) and government programmes. Retail banks have little real incentive to cater to the needs of small depositors, and most of these depositors do not find the limited services offered worth their time, effort or money.[3]

To address this problem, RBI introduced the BC model five years ago[4] to allow banks to extend their reach without overburdening existing branches or opening new ones. Under the BC model, banks can now appoint a wide array of business correspondents—from non-governmental organisations (NGOs) and microfinance institutions (MFIs) to small shopkeepers and mobile network operators and their agents.[5] These service providers are authorised to perform small transactions on behalf of banks, including withdrawals, savings deposits, credit and insurance payments, remittances, and mutual funds.

This study explores the need of potential BC customers and their criteria in selecting suitable BC agents. We also address the BC agent's perceptions of the potential business opportunity.

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[1]https://www.cia.gov/library/publications/the-world-factbook/geos/in.html, World Bank and World Fact book
[2]http://www.mydigitalfc.com/banking/pnb-tries-out-biometric-atm-financial-inclusion-194, estimate of executive director of Punjab National Bank, http://www.rbi.org.in/scripts/BS_SpeechesView.aspx?Id=342, accessed 19-12-10
[3] RBI's Committee on Financial inclusion, *MicroSave*'s ongoing research in this area including Dormancy in No-Frills Accounts
[4]RBI/2005-06/288 DBOD.No.BL.BC. 58/22.01.001/2005-2006 January 25
[5]These groups or individuals are set up under Societies/Trust Acts, registered under Mutually Aided Cooperative Societies Acts or the Cooperative Societies Acts of States; Section 25 companies and post offices. These can include owners of kirana/medical /Fair Price shops, individual Public Call Office (PCO) operators, agents of Small Savings schemes of Government of India/Insurance Companies, individuals who own Petrol Pumps, authorised functionaries of well run Self-help Groups (SHGs).

Agent Networks for the Business Correspondent Model: Assumptions
The BC model in India is designed to provide banking services nearer to home for customers living in remote locations.

There are several guidelines and regulations in place with respect to the selection of BC agent and BCNM, services they can provide, and their operation.[6] While this document is not the appropriate place to go into these regulations, we provide below a brief outline of the responsibilities of a BC and the current guideline for approved institutions/individuals who can become BCs (BC agents/BCNM).

Currently BCs may provide the following scope of activities: 1) disbursing and servicing small loans; 2) mobilising small deposits; 3) selling micro-insurance/mutual fund products/pension products/other third party products; and 4) receiving and delivering of small value remittances. In addition to this, BCs also provide a human face to branchless banking service. Especially in the initial stage, agents are responsible for educating customers about the service and helping customers to complete transactions.

Further, the RBI has approved the following entities to be appointed as BCs:
1) Individual *kirana*/medical /Fair Price Shop owners
2) Individual public call office (PCO) operators
3) Agents of small savings schemes of Government of India/insurance companies
4) Individuals who own petrol pumps
5) Retired teachers
6) Authorised functionaries of well-run self-help groups (SHGs) linked to banks
7) Section 25 Companies or Trusts/Societies (typically, these are the legal entities of choice for Non-Governmental Organisations)
8) For profit companies (but not Non Bank Financial Corporations)

It is not pragmatic to expect banks to control, visit, and supervise a network of small shops and individuals of the kind given in the list above. All these potential BC agents belong to a distribution channel of products for their sector which have a flow of cash, orders and products. Typically one distributor caters to a number of retailers.[7] Similarly, a retailer may be connected to a number of distributors. For example, a pharmaceutical shopkeeper will buy the medicine of a particular brand from the distributor of that brand for that area. Further, these distributors and retailers already have a relationship and some informal and formal reporting processes may already be in place. Distributors would also help to manage liquidity.

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[6]For a detailed summary of these guidelines, see Thorat et al (2010), Feasibility of Engaging Corporate Retail Networks As Business Correspondents of Banks – A Study, accessed 01-02-11

[7] A distributor is a person or firm that a firm which sells and delivers merchandise to retail stores (retailers) or acts as an intermediary in business supply chain.

Agent Network
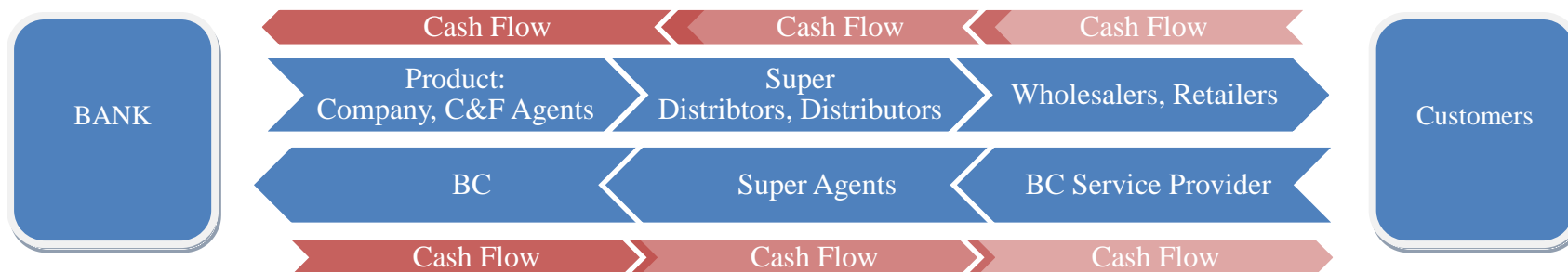
The Agent Network assumed for this report has been explained in the paragraph below.

The bank appoints a BCNM, who acts as a supervisor for the agent network for that particular area/bank, as has been agreed upon. The BCNM then establishes relationships with distributors belonging to one industry or multiple industries in that area. The distributors play the role of super agents in this network. These super agents then engage their network of retailers as BC agents.[8]

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[8] This is the practice most banks currently follow in India. The bank can directly appoint BC agents as well as per the guidelines issued by the RBI.

Research Process

This section presents research objectives, tools used and sample.

Research Objectives

1) To understand customers' perception of service points/channels for receiving financial services:
    a. Explore all possible service channels that clients would like to use
    b. Explore all possible attributes that customers seek in an agent providing banking services
    c. Discuss the importance of various attributes over others
    d. Discuss the service channel/points that meet customer expectations
2) To assess and understand willingness, viability and capability of supply side points for delivery of financial services
3) To understand and explore the suitability of the network channels such as telecom, pharmaceutical, and fast moving consumer goods (FMCG)[9] for delivery of financial services through the BC channel.

Research Tools

Researchers used the following participative data collection methods for the study–

1. **Focus Group Discussions:** FGD tool brings out a group's thinking and response on an issue. This helps researchers understand the thinking process of the group and various arguments put forth by participants. This tool was used to record potential transaction points, customers' likes and dislikes about the transaction points, and what attributes they would look for in a BC service provider. Please refer to Annexure –I for further details.
2. **Attribute Ranking:** Product Attribute Ranking allows us to see how clients and potential clients perceive the features of any service and why one feature is more important than another. This tool was used to rank the attributes that customers would look in a BC on the basis of importance. Please refer to Annexure –II for further details
3. **Individual Interviews:** The rationale of conducting individual interview is to record and understand an individual's (mostly opinion leader) views on a given issue. In this study, this tool was used invariably with the supply side respondents as it is difficult to find them in groups. This included distributors and retailers of pharmaceutical, telecom, FMCG and petroleum. Please refer to Annexure –III for further details

Market Research Process

***Training and Preparation*: 1-4, November, 2010**
- Planning, design, piloting and tailoring of research materials.
- Training for *MicroSave's* Participatory Rapid Appraisal (PRA) methods

***Market Research*: November 15 – December 3**
- Participatory Group Discussions, Attribute Ranking and Relative Preference Ranking with savings account clients
- Individual interviews with retailers and distributors

Analysis and Consolidation
Consolidation and analysis of data week of 6 December, 2010

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[9] FMCG (Fast Moving Consumer Goods) refers to those consumer goods which have an extremely high turnover rate and get consumed quickly such as fruits, vegetables, pre-packaged foods, soft drinks, toiletries etc. These are typically sold in small shops such as *kirana* stores or grocery stores in rural and semi-urban areas.

S. No.	Tool used	Total No. of Sessions	Total Respondents
1	**FGD + Agent Attribute**	51	292
2	**Individual Interviews – Retailers**	47	47
3	**Individual Interviews – Distributors**	19	19
Total		**117**	**358**

Sample

The sample of respondents in the research is purposively chosen as rural and semi-urban. The sample includes both account holders and non-account holders. For the purpose of individual interviews of retailers and distributors, we used convenient sampling methods. The distributors were contacted using the information from the respective retailers.The sample of retailers/distributors belongs primarily to urban and semi-urban areas in the districts of Allahabad, Gorakhpur, Mathura and Agra.

Area Profile

The research was conducted in the districts of Allahabad, Gorakhpur, Mathura and Agra in the state of UP. The four districts represent the south, northeast, northwest and west parts of the state. All districts have a fair coverage of commercial banks[10]. The table below shows the presence of banks in rural, semi-urban and urban parts of the districts.

Population Group	Allahabad	Gorakhpur	Mathura	Agra
Rural	122	109	70	62
Semi Urban	27	20	45	45
Urban	-	90	58	-
Metropolitan	162	-	-	177
Total	**311**	**219**	**173**	**284**

[10]http://www.rbi.org.in/scripts/PublicationsView.aspx?id=12671, accessed 27-12-10

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Allahabad, Gorakhpur, and Agra are major economic centres in U.P. Many distributors for pharmaceuticals and C&F[11] (carrying and forwarding) agents for FMCGs are based in these cities. The sample districts are also populous districts of the state with Agra around 3.6 million, Mathura close to 2 million, Gorakhpur 3.7 million, and Allahabad close to 5 million populations, as per Census 2001.[12]
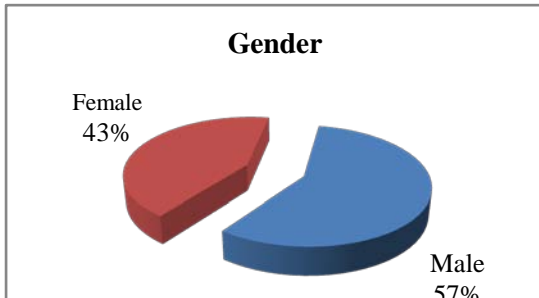

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[11] C & F Agent works as an mediator between manufacturer & chain of distribution
[12] http://www.censusindia.gov.in/default.aspx, accessed 27-12-10

Profile of the Respondents

There is a fair representation of both the genders in the sample, with 57% male respondents and 43% female respondents.
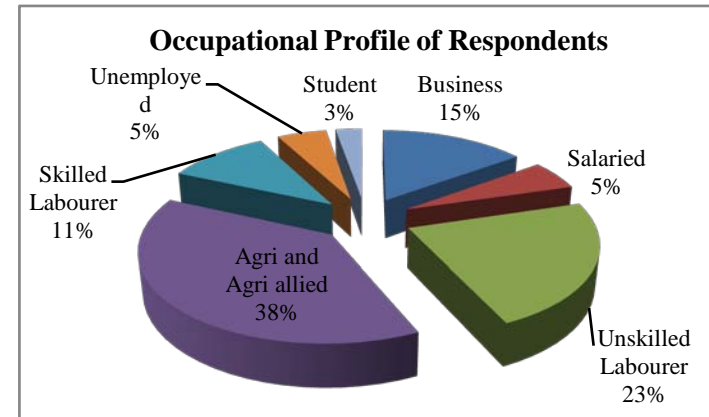
Gender

Female
43%

Male
57%

The sample has a higher representation of people in the working age group with 83% of the sample within the age group of 18-45 years. Youths in the age group of 18-25 years comprise 15% of the total sample, and respondents in the age group of 46 years and above had a total representation of 17%. Thus, there is a fair representation of youths and elderly.
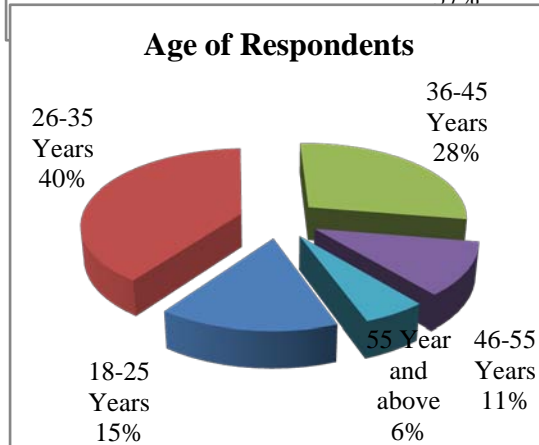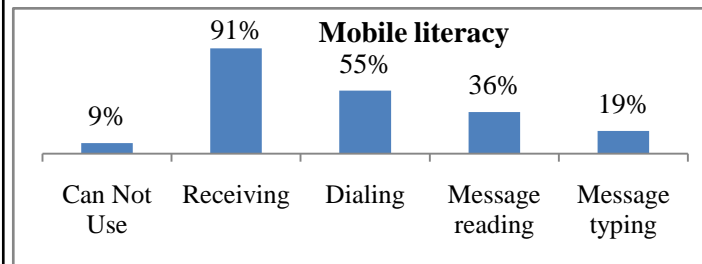
About half of the sample is literate. Among the literates, around 28% have studied up to senior secondary level. Eight per cent of people in the sample are graduates. Approximately one-third of the respondents are involved in agriculture and agriculture-allied activities and other one-fourth are unskilled labourers. Other people in the sample are businessmen, salaried people, skilled labourers including those involved in cottage industries, and students. Respondents having daily cash flows--including skilled labourers, unskilled labourers and businessman--comprise 49% of the total respondents.

Age of Respondents

36-45
Years
28%

26-35
Years
40%

18-25
Years
15%

55 Year
and
above
6%

46-55
Years
11%
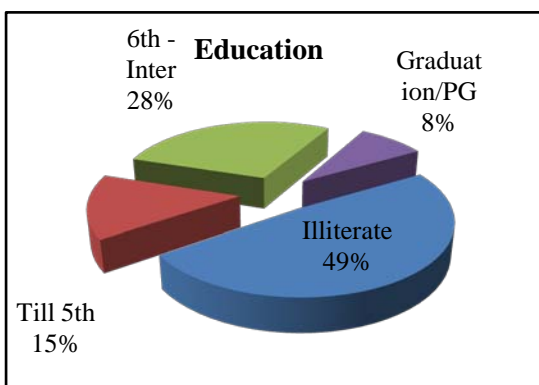
Another encouraging finding of this study is that there is widespread mobile penetration in the rural areas of UP. Of all the respondents interviewed, 81% have mobile phones. Among respondents who knew how to use mobiles, 36% of the respondents knew how to read text messages on their mobiles and 19% could type and send messages from their mobile.

Occupational Profile of Respondents

Unemployed
5%

Student
3%

Business
15%

Skilled
Labourer
11%

Salaried
5%

Agri and
Agri allied
38%

Unskilled
Labourer
23%

Sixty-two per cent respondents have a bank account; however, non-bank account holders included in the discussion had banking experience with either a friend or family.

Education

6th - Inter
28%

Graduation/PG
8%

Illiterate
49%

Till 5th
15%

Mobile literacy

91%

55%

36%

19%

9%

Can Not
Use

Receiving

Dialing

Message
reading

Message
typing

Respondents, who visit banks, do so on a varying basis. Almost 35% visit every six months or once a year, and 8% have dormant accounts. About 50% of them visit a branch at least once every two-three months; more than half travel 2-5 kilometres to get the nearest bank branch.

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Travelling long distances is more difficult for women as they then have to depend on the men in the family to reach bank branches; usually in rural areas, only men own and drive vehicles. Women respondents also noted that they are reluctant to leave their homes empty for a long time to visit a bank.

Bank Transaction Frequency

Two-three days	2%
Weekly	3%
Forthnightly	17%
Monthly	21%
Quaterly	14%
Six monthly	28%
Yearly	7%
Dormant	8%

Distance of Bank from Village

- More than 10 km 1%
- Less than 2 km 29%
- Between 5 to less than 10 Km 18%
- 2-5 Kms 52%

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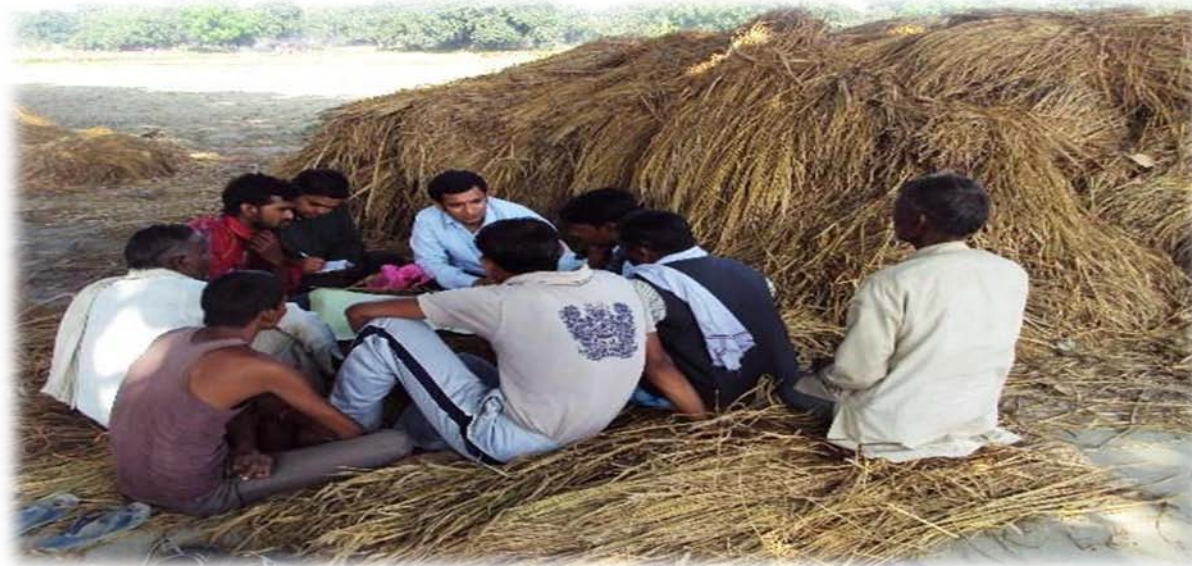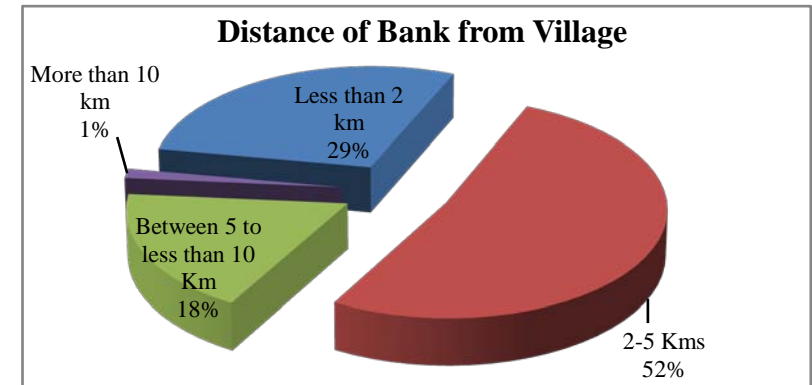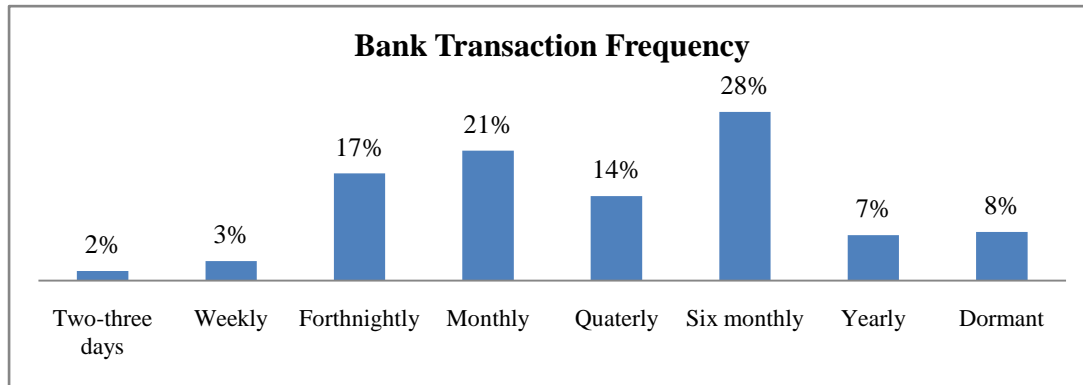
Common transaction points

*On the basis of this field research, we can separate the transaction points into two broad categories:*

Shops located in the village. *These shops included shops like small grocery stores, tea vendors, mobile shops, vegetable shops, etc. Among these, all kinds of shops it is the grocery shop which is invariably present in most villages.*

Shops located in the nearby markets. *These centres are mostly located on village roads/highways. These locations have grocery shops, cloth, medical, utensil, mobile recharge, goldsmith, and in some cases petrol pumps and grocery wholesalers. Such locations mostly cater to the daily shopping requirements of a cluster of villages located in proximity of the market.*

Grocery stores are most frequented by villagers and also enjoy close connections with the village residents. Grocery stores are visited by almost all age groups and sex. Medical shops get more male customers, whereas the younger generation visit mobile recharge points more often. Females are frequent visitors to cloth shops as well.

Attributes Required in a BC Agent

Overall, secure transactions lead in the rankings. Several respondents had been cheated by agents in the past and therefore, potential for fraud is viewed as one of the most important factors before people chose services of a BC agent.
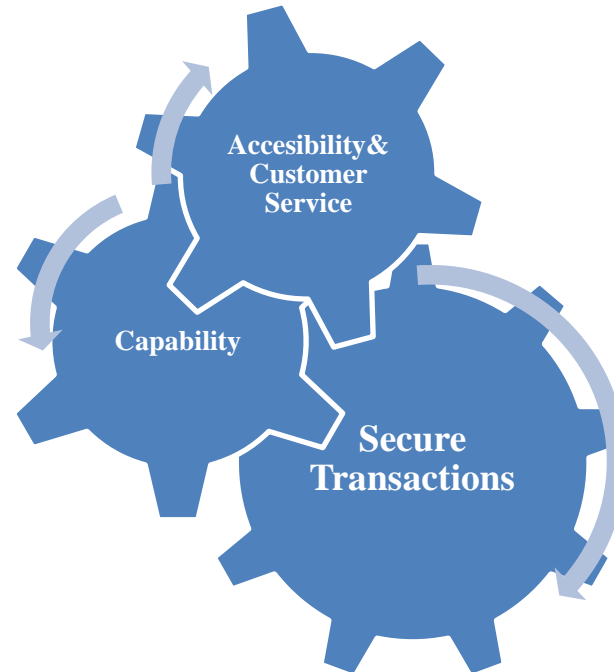
The attributes that validate security of transactions are domicile (so that he is known and people have fair idea of his background); honesty (the service provider does not cheat); and property ownership (to serve as collateral in case of fraud).

The second most important issue in the overall rankings is the capability of the service provider to deliver banking services. Most link this directly to the agent's educational background.

The third issue is accessibility to service points (which is reflected in attributes like proximity and availability) and customer service (elaborated in attributes such as service time and behaviour). All these aspects came up in most of the discussions but were rated below security and capability. Please refer to Annexure – IV for definitions of attributes as taken in the research.

Attribute Ranking

One of the main objectives of the study is to ascertain the key attributes of agents, as preferred by the respondents. A total of 48 attribute ranking exercises were conducted with 290 respondents to identify the preferences for attributes. The data from the attribute ranking exercises is supported by the feedback from FGDs. The chart lists the attributes as identified by the respondents and the relative order of importance[13]people attach to them.
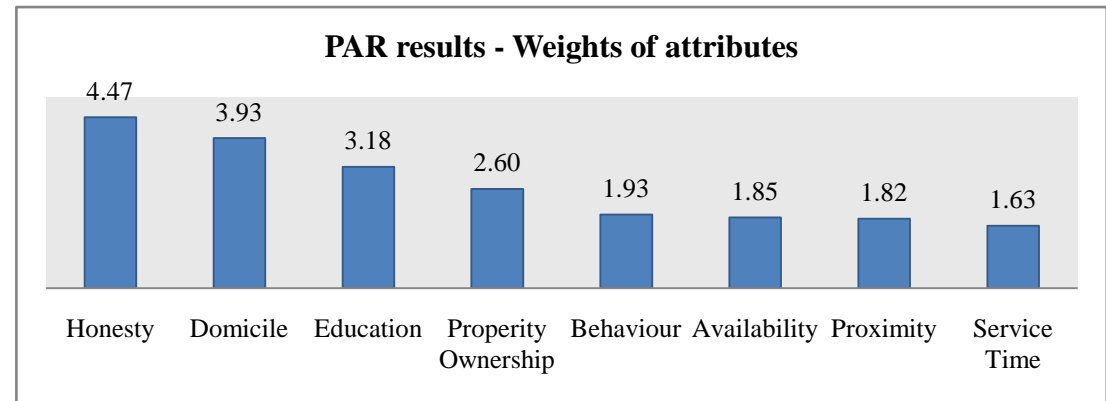
Honesty

Honesty is one of the most important personal traits that respondents look for in a prospective agent. It refers to the personal ability of any individual to refrain from committing fraud when such an opportunity arises. In all the discussions with respondents,
an honest person is seen as one who does not make money by fooling them.

PAR results - Weights of attributes

4.47	3.93	3.18	2.60	1.93	1.85	1.82	1.63
Honesty	Domicile	Education	Property Ownership	Behaviour	Availability	Proximity	Service Time

"Beimaan aadmi jyada meetha bolega".
(Person who is dishonest will try and behave more properly).

The importance of this attribute is underscored by bitter experiences that respondents have had with fly- by-night operators. Compared to domicile-- ranked second--customers give more importance to honesty as in past agents from, and living in, the village have also committed frauds.

Honesty ranks above all other attributes in most of the discussions. For example, while comparing honesty with behaviour, respondents feel that a dishonest person usually behaves well so as to dupe customers. Respondents cite examples of agents from private companies of committing fraud after mobilising savings by sweet-talking customers.

Domicile

Domicile ranks second for the respondents. It helps in establishing the credibility of a person. It is defined as the time duration for which a prospective service provider has been residing in a particular location. Generally, longer duration of stay results in better acquaintance of the person, which, in turn, adds to the confidence of people living in the area with him. In many groups, this attribute was compared with property ownership but during discussion, domicile was ranked above property ownership as customers perceive that a person can have property anywhere (not necessarily in village

Jo 25 saal se rehta hai, uska andar bahar sab pata hoga". (We would know a person inside out if s/he has been residing in our village for last 25 years).

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[13]From each ranking session the rank of the attributes is weighed. The weight is allotted as total number of attribute over the rank allotted by the group. Thus rank 1 gets the highest weight and rank 8 gets the lowest. The total weight for an attribute is then averaged for number of times it has come in the discussions. The higher the weight, more important the attribute is.

where he stays) and his genuineness cannot be assessed from it.

Education
Education as an attribute refers to the level of formal education of the potential service provider. This attribute is important because of the nature of work of a banking correspondent, which includes book-keeping and understanding banking procedures. Respondents feel that banking is a serious activity and that maintaining books of accounts and filling out forms requires a certain skill set. So it should be managed by a person who is educated. Unless the agent has these necessary skills, he will not be able to manage such an activity efficiently. This attribute ranks amongst top four attributes as respondents associate it directly with capability of agents to deliver banking services responsibly. Besides this, respondents felt that an uneducated agent would not be able to assist them in choosing suitable bank services because they could not understand the services themselves.

"Anpadh hoga toh kaise janega ki humare liye kya sahi hai aur kya galat" (An illiterate person will not know what is right and what is wrong for us)

"Laakh najdik ho padha nahi hai to kono kaam ka nahi hai" (Even if agent is nearby, he/she will not be of much use if he/she is not educated; one of the respondents said while comparing proximity as an attribute to education)

"Padhai jaroori hai, par baki baaten jyada jaroori hai, kaam to sikhaya bhi ja sakta hai" (Education is important, but other attributes are more important, banking work can be understood through proper training)

However, education came below honesty and domicile as respondents reasoned that although education is important but an agent can receive training and learn banking work.

Property Ownership
This refers to the net worth of the property owned by the prospective service provider. Higher property results in more confidence in the service provider. A property can be land/house, the size of a shop or house. Property ownership ranks at number four, as it ensures that customers' money remains safe. Respondents feel that any prospective agent should have some wealth of his own. This helps building trust in the entire system in two ways. First, in the worst case, the agent's property can be confiscated by the bank. Second, an agent having surplus money to invest in such an activity would ensure enough liquidity to honour withdrawal requests. This attribute ranks below honesty, domicile and education as people feel that ultimately the responsibility of safety of their money lies with the bank and not with the agent. Also, respondents reason that if a person is honest such a situation will not arise.

"Paisewala nahi hoga to, len den kaise karega". (If he doesn't have enough money then how will he perform transactions?).

"Agar kuch gadbadd karta hai to uski zammen/dukkan le sakte hai…dukaan lekar toh nahi bhaag paaye ga na". (If he commits some fraud then we can confiscate his land/shop. He cannot runaway with his shop).

"Paisa to bank ke paas jaayega to property se kya matlab".
(Money will go to bank so his property doesn't matter much).

Behaviour

Behaviour is described as the way of talking to and treating customers. Behaviour is a service attribute and it came out as an important attribute in almost all the group discussions. Respondents consider good behaviour as an indispensable attribute in a potential service provider.

> "*Vaataavaran theek nahi hota hai kisi dukaan kaa toh hum nahi jaate. Prem se baat nahi karege toh hum kyon jaayein*".
> (Behaviour of the shopkeeper holds the key. If he does not talk properly then no one will go).

The importance of behaviour as an attribute comes from the bad experiences respondents have had with bank officials. Limited understanding of banking processes coupled with rude behaviour is one of the critical discouraging factors for customers.[14] Women's groups are most vocal about this issue, as they have often been ill-treated by bank staff.

Behaviour is considered more important than availability, proximity and service time. It comes out that if the behaviour of the shopkeeper/agent is good then most of the customers do not mind waiting. Respondents added that an agent who behaves well will attract lot of customers and thus, the service time will be higher. Interestingly, behaviour ranks higher than proximity. This is rationalised on the basis that one could cover some extra distance to access services from client responsive agents. However, a few groups did not consider this as a very important attribute but rather place emphasis on getting their work done without any delays/flaws.

Availability

This refers to the working hours of the service provider. Whenever introduced to the groups, availability was explained as number of hours shop is open. Respondents felt that a shop should be open for maximum days and should have long working hours so that they can make a transaction (mainly withdrawal) whenever they are in need.

Respondents suggest that while selecting the agent, availability should also be checked as many shopkeepers in the villages open the shops as and when they wanted, and in the context of banking transactions such lethargy can be problematic.

> "*3 din khola aur 4 din rishteedar ke yahan baith gaya to hume pareshani uthani padegi*". (If shopkeeper opens the shop only for few days and close his shop frequently to visit relatives, then we will have to face problems).

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[14]This fact has been consistently coming out in *MicroSave* research on "Cost and Willingness to Pay" and "Dormancy in No Frills Accounts".

Proximity

This defined as the distance of the customer's house from the location of the prospective service provider. This attribute has direct bearing on the accessibility of the services offered by the BC. Proximity becomes important for the respondents as they appreciate the fact that entire BC model pivots around addressing the accessibility issue. The opportunity cost of dealing with banks in terms of travel cost and income/wage forgone pinches almost all the customers.[15] Added to this are unplanned costs arising out of visits to market areas where banks are situated. However, in most discussions, proximity ranks below most of the other attributes, mostly due to security concerns associated with the new service. In some discussions, proximity was ranked above

Proximity
"Agar vyavastha door he ho jaayegi toh hum bank mein hee nahi chale jaayenge".
(If the facility is at a distance then we'd rather go to a bank, in that case there's no need for such a model).

"Nazdeeki ke liye hee toh ye sab kar rahe hai..bank mein sabhi toh graduation kiye hai toh wahin na khata chala le". (Everything is being done to address the basic issue of distance. In a bank everybody is a graduate. So if we really want to have an educated agent we can go to the bank directly) – on why proximity is an important attribute.

many attributes, as respondents claimed that RBI is taking all the pains in implementing such a model to address the basic issue of banks being too far from rural households. So in that case, proximity should be a basic concern, otherwise people can simply go to a bank branch to make transactions. In case banks are able to convince people about security of their savings, proximity will also climb up the rank ladder.

Service Time

Service time is the time required to execute a transaction at the prospective service provider's location. This attribute was considered by the respondents because they wanted to spend less time in bank related work. Also, very few respondents mentioned that it does not matter, whether the behaviour is good or not if my work is being done!

"Kaam ho jaye, bartav ka kya farak padta hai".
(Till my work is getting done without any delays or flaws, behaviour does not matter)
- Set of respondents explaining why service time is more important than behaviour.

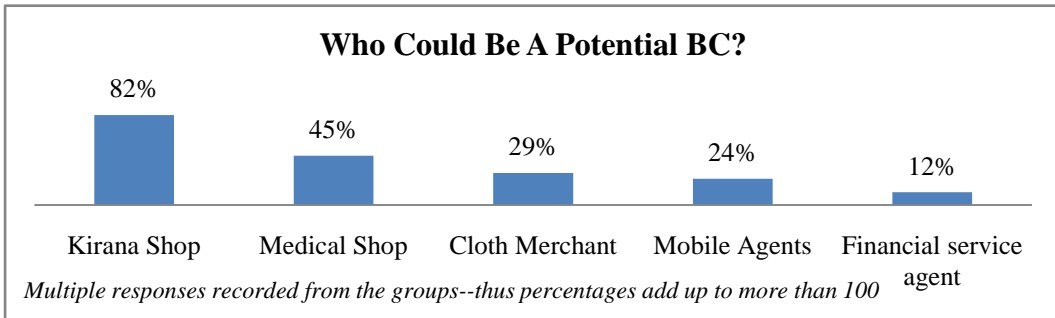[15]Please refer to *MicroSave*'s <u>Cost and Willingness to Pay</u> study

Optimal Agent Networks

This section discusses respondents' feedback on various service channels/points as preferable BC agent. It uses findings from FGD sessions and summarises how different channel options are viewed by the respondents--positives and negatives. Responses are influenced by the current situation and the respondents' experience with the various persons running the listed businesses. Banks will have to assess the feedback of the locals about the person and the outlet proposed as a prospective BC. The choice will mostly depend on:

- Proximity to the village,
- Number of years the service provider has lived in the village, and
- Conduct of the shopkeeper and frequency of visit.

> *"Agar ye chaar cheez ho jaaye to satyug aa jaayega".* (If there is education, property, honesty and behaviour attributes with the people wit will be the best).

Opinion on these factors is formed and built up over the course of time. Other factors include shop infrastructure and availability of multiple products. The number of products a shop sells received two different kinds of feedback – while some liked it as it can become a one-stop-shop for them, others were concerned that it might increase the service time for banking transactions. Respondents, thus, came up with some possible channels that could be BC agent.

Who Could Be A Potential BC?

Kirana Shop	Medical Shop	Cloth Merchant	Mobile Agents	Financial service agent
82%	45%	29%	24%	12%

Multiple responses recorded from the groups--thus percentages add up to more than 100

Grocery stores emerged as the most favoured option as a service channel. This, of course, follows from the discussion above as well: grocery stores, irrespective of the size, can be found in every village. Medical and telecom shops are the other most often-visited stores and emerged as preferred points for banking transactions. Respondents did not think about existing financial service agents as possible agent for BC. However, when asked if they could be a good option, respondents answered in the affirmative. Others not included in the bar graph are petrol pumps, schools, fair price shops, goldsmiths, utensil shops, electronics shops, *panchayat*, and SHGs, as these were mentioned in two or three sessions only. Though cloth stores

> *"Paisa nikalenge aur samaan bhee kharidenge". (We will withdraw money and buy items as well -- on why grocery stores are the better ones).*

emerged as a favourable transaction point, they have not been included in the discussion, as they do not figure in the RBI list of possible BC agents. Respondents bought up various possible options for BC service providers. However, they could not present their liking or disliking for all the possibilities. Below are the respondents' views on four possible service providers.

Mobile Store

Positives

1. Quick service time

2. Knowledge of computers, so better suited for internet related banking

3. High footfall

4. The shop is clean and uncluttered.

"bahut aadambar faila kar nahin rakhte". (There is not much paraphanelia around).

Negatives

1. Mostly younger generation is involved

2. Mostly visited by men

Grocery Store

Positives

1. Most frequently visited shop by men and women, more comfortable, has more trust.

2. The shops are usually in close proximity and open for longer duration

3. Higher presence in rural areas

Negatives

1. Multiple products - delay in banking work

"Kirana wale itna fast kaam nahin karte aur kar bhee nahin sakte". (The grocery store person does not work fast and he can not do [banking] also)

2. Less space

Medical Store

Positives

1. The owner is generally educated

"Koi anpadh vyakti dawai ka dukaan nahin khol sakta". (No illiterate can open a medical store).

2. The shop is neat and products are well placed

Negatives

1. Low frequency of visits by a household

2. Usually crowded in rural areas

Financial Service Agent

Positives

1. Educated and can do bank related formalities easily

2. Behaviour mostly good, has customers trust

3. Expereince of handling deposits

4. Able to provide doorstep services

Negatives

1. Not necessarily domcile of village, less information about property, less local trust as a result

"Agent ke paas koi property nahe hote , pata nahe kaha rehta hai". (The agent does not have property, also we do not know where he lives).

2. Availability is an issue. He travels lot.

3. Past track record of agents is discouraging

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The Other Side: Retailers and Distributors

Distributor Profile

The research covered 19 distributors from the districts of Allahabad, Gorakhpur, and Agra. Most distributors are in the 25-50 year age group. Two distributors are less than 25 years of age. Ninety-five per cent of the distributors interviewed are graduates and 5% have studied up to higher secondary. Eleven distributors have an average business experience of 5-10 years, while six have 10-30 years of experience. Ten distributors have more than 100 retailer networks, five out of these have up to 300 retailers; eight have more than 300 retailers and half of them have more than 500 retailers.

The distribution network is spread over an area of 10-100 km. Five distributors have a geographic spread of 25-50 km, seven have network spread of more than 50 km. Around one-third of the distributors have a monthly sales figure in the range of Rs.1.5-3 million. Seven distributors have monthly sales in the range of more than Rs.3 million.

Four distributors maintain stock in the range of Rs.0.5-1.5 million. An equal number maintain an average stock of less than Rs.0.5 million. The stock buffer is maintained to match the demand with timely supply. Three distributors maintain more than Rs.4 million stock. This also helps the respondents maintain liquidity in the market. (The graphs below show this in lakh – or 100,000).
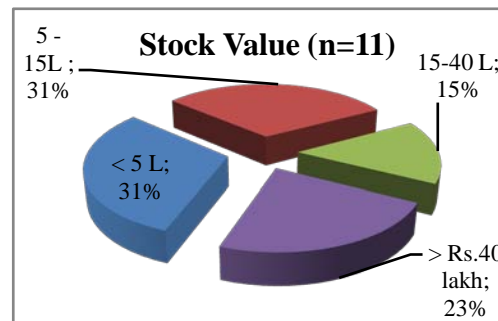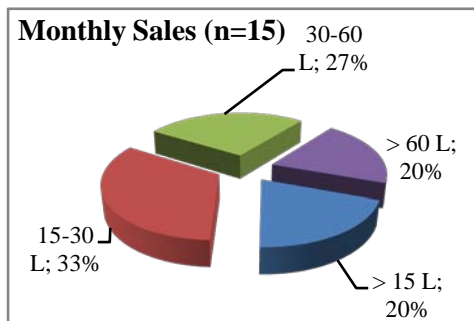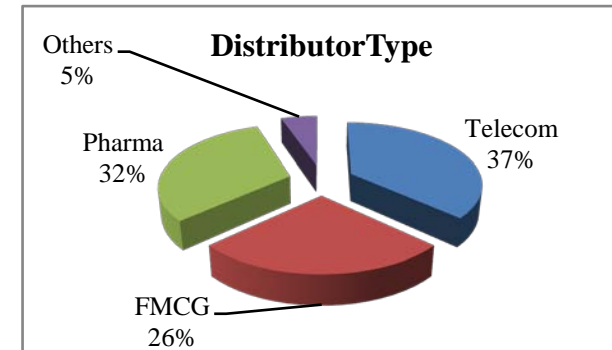
Encouraging Factors

Additional Income: Distributors cite additional income as the key motivator for them to become BC agents. They believe that if they start banking transactions in their shop, it will boost sales of their core business. Prospective customers, visiting the shop for savings account transactions, may buy things for their daily use at the same time from the shop.

"Bank khul gaya agar dukan mein to meri sales dugni ho jayegi". One of the shop owner explaining that the his sales figure will double, if people come to his shop to make banking transactions.

"Humara kaam cash based hai, turant paise kaa intezaam ho jayega". One of the respondents explaining that liquidity will not be an issue, as the transactions are made in cash.

"Malai milega to kyo nahi karenge BC". One of the distributors explaining the margin expectation, which will encourage him to become a BC.

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Encouraging Factor - Distributors

Multiple responses recorded from the groups--thus percentages add up to more than 100

47%	21%	21%	16%	11%	5%	5%	5%	5%
Income	Experience	Retail Network	Social Branding	Simple	RBI Support	Remittance Possibility	Infrastructure	Easy to Train
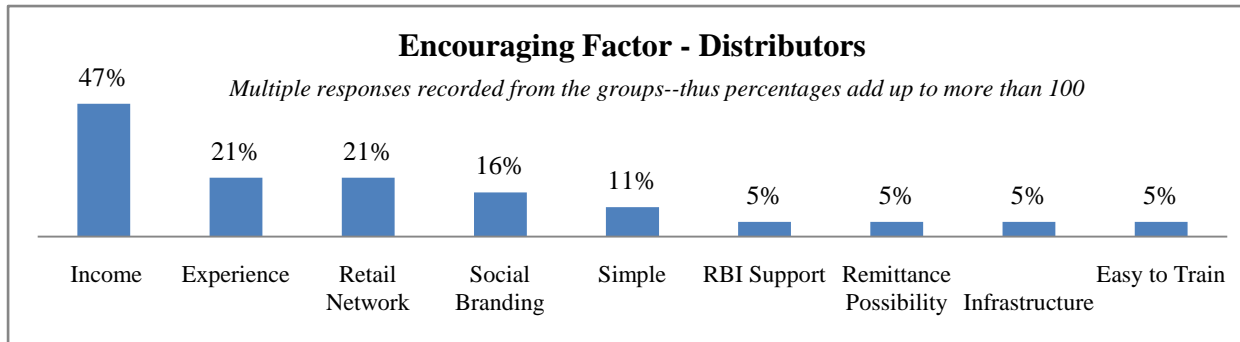
Previous Experience: Distributors cite that experience in handling mobile operations will help them in providing BC services via mobile banking platforms with ease. This response mostly comes from telecommunication distributors. As the proposed model will likely use text message services, the mobile shop owners see their existing expertise as a key reason to become BC agent.

Retail Network: The existing wide distribution network of retailers will help in new client acquisition and product outreach. Also, the trust that retailers command in the market will help BC services get accepted.

Social Branding: Distributors mention that the BC initiative will help them build their market reputation as they will have an opportunity to be associated with government banks and render financial services.

Distributors also mentioned that it will convenient to appoint grocery shop, medical store, and telecom distributors as BC agents as it will not involve much infrastructure, and the services can be provided from their existing floor space, without much trouble. Distributors also believe that BC model will ease the facility of sending remittance money. Telecommunication distributors, especially, believe that training retailers will not be a problem since it will be a mobile banking platform.

Discouraging Factors
Staff Crunch, Staff Capability: Distributors note that additional manpower will be needed for the BC model as the number of customers, product, and footfall will increase. Also, the account and cash management for this will be different from retailer's existing set up and people with the right training and education will be required for this.

Cash Management: Distributors worry about clarity on responsibility-sharing for cash management issues such as: who will bear the cash in transit insurance cost; the staff role in carrying and depositing cash; the amount of bank limit to be set; the collateral to be deposited; the amount of cash to be

"Parichit vyakti baat karta hai to zyada samajh mein aati hai".
One of the distributor explaining that the customers will trust and understand his retailers point of view, as they have wide acceptance among their customers.

"Bhaiya yaha bahut kam log honge jo is kaam ko karna chaheg, kyuke sabko yaha bahut kaam hai auur ye tou overload hoga".
One of the distributors explains the increase in work load if the existing staff is deployed for this purpose.

"Field staffs ko heavy incentive dena possible nahi hai". Respondent explaining his inability to pay incentives to his field staffs.

Kaam karne ko tayyar hoon bas aap commission bata dijiye. Respondent raising the issue of margins.

maintained at the outlet; how the cash transfer will be made to the retailers; the terms and conditions with the banks; and the authorisation process.

Distributors commitment would be difficult unless these and related questions are answered.

Retailer Type: Distributors say they are not sure if they will be able to find retailers who can understand the concept of this model completely and are educated enough to work on it.

Discouraging Factors - Distributor
Multiple responses recorded from the groups--thus percentages add up to more than 100

Staff Crunch	Retailer Type	Cash Management	Staff Capability	Banking Expereince	Low Margin	Cash Security	Reputation	Fraud
26%	21%	21%	21%	16%	11%	11%	5%	5%
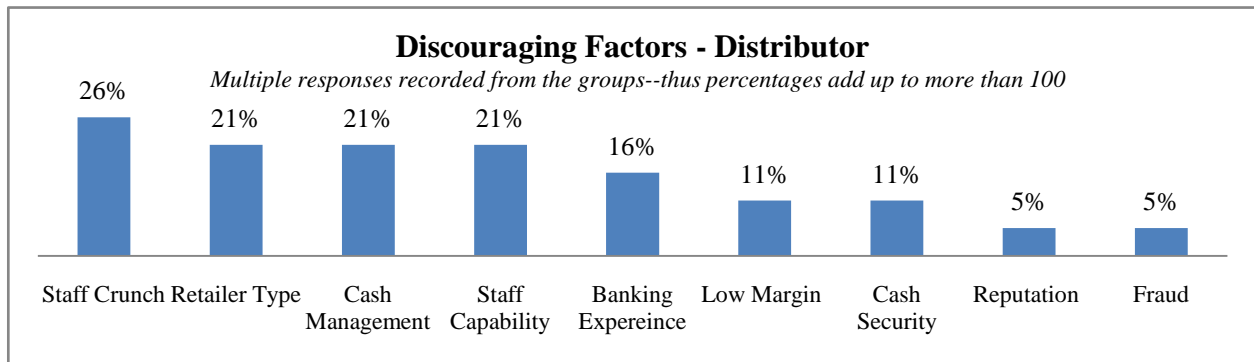
Banking Experience: Retailers and distributors have following apprehension based on their banking experience:

- How will they stop fake currency getting into the system?
- Retailer outlet may not give the customers the same comfort, as a normal bank office does. A crammed grocery shop, medicine counter of 10-20sq metres may not be well accepted by the customers for banking.
- Added to this is the fact that customers will not be very forthcoming doing financial transactions from these outlets that have never done this line of business.
- How will they handle the situation if a technical difficulty arises and who will help?

Years of Experience (n=45)
> 10 years 38%
0-2 years 13%
5-10 years 7%
2-5 years 42%
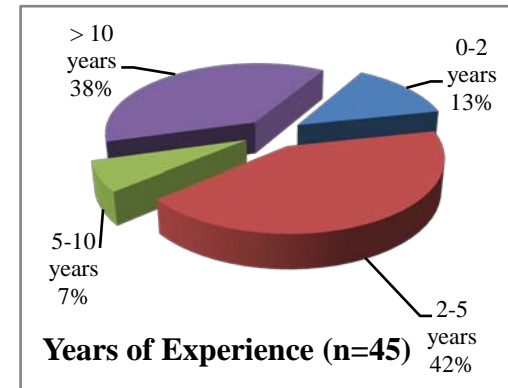
Some fear that recent cases of fraud, make it difficult for them to convince their retailer partners of the BC model. Retailers fear that a case of fraud may damage their reputation and affect their current line of business.

Retailer Profile

The discussion below reflects the opinions of 47 retailers from rural and semi-urban areas of Allahabad, Gorakhpur, and Mathura. In the sample, 38% retailers are from the telecom sector, 36% are from FMCGs and 30% are from the pharmaceutical sector. Others include sectors such as petroleum, agriculture-related product shops, and clothes. All retailers are

Retailer Profile

FMCG	Pharma	Telecom	STD/PCO	Others
36%	30%	38%	2%	19%

Some retailers belong to more than one channel such as FMCG retailer also a telecom retailer
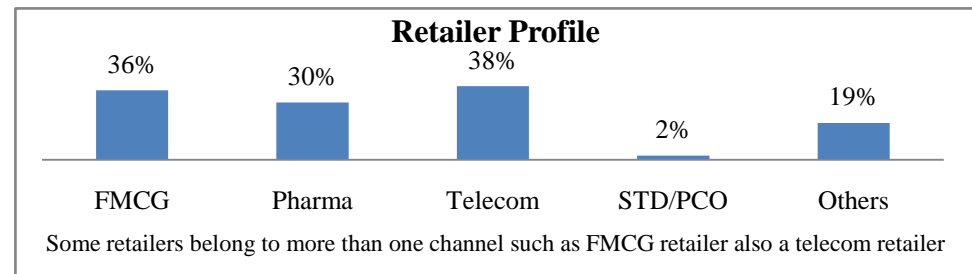
literate; 15 of them have completed their graduation. Around three quarters of the retailers have shops in market area, 13% in residential areas and 6% have shops by state or national highways. It was observed that most retail shops are located in market areas adjacent to 10 to 20 other shops. Nineteen retailers have two to five years of business experience and 17 retailers have more than ten years of business experience.

The type of location and years of experience give an idea of the penetration and stability of various channel points in rural, semi-urban, and urban areas. Twenty-eight per cent retailers have an average shop size of more than 10 sq metres; 6% retailers in the sample have shop size in range of 20-30 sq metres. Retail grocery shops in rural areas had an average size of 10-20 sq metres. Physical space is one attribute which is high in the respondent's mind when assessing their appropriateness as a BC agent. Forty retailers open shop for business for more than 10 hours a day, and 8 of them are open for more than 15 hours a day. While more than 80% retailer shops are open for all seven days, some close down for one day in a week - mostly Sunday or Monday - for purchasing stock.
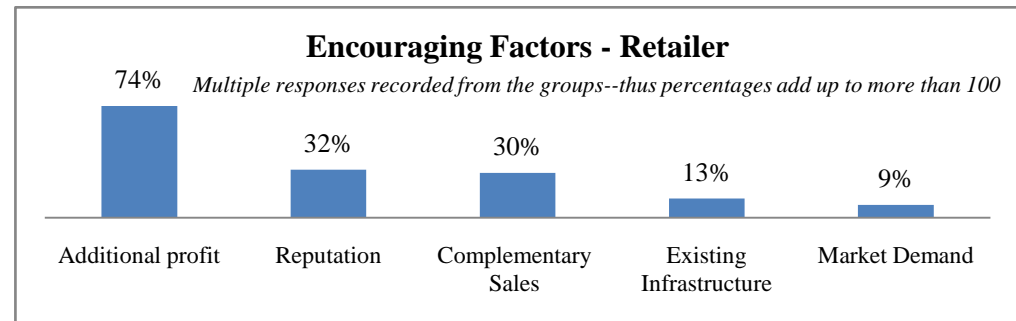

Working Capital Investment (n=46)
Rs.50,000-200,000; 61%
Rs.200,000-5,00,000; 6%
< Rs.50,000; 26%
> Rs.500,000; 7%

Customer Footfall
< 50; 21%
50-100; 53%
> 300; 11%
200-300; 2%
100-200; 13%

Shop Area
< 100 sq feet 55%
100-250 sq feet 28%
> 350 sq feet 11%
250-350 sq feet 6%
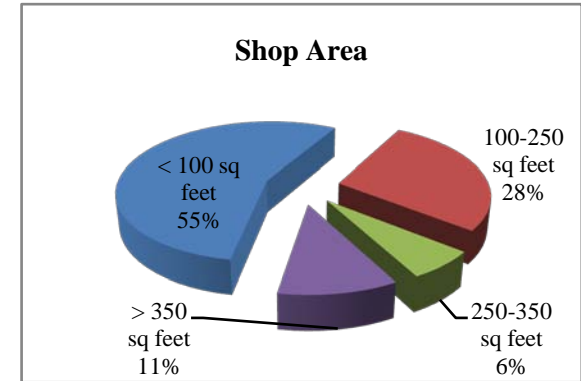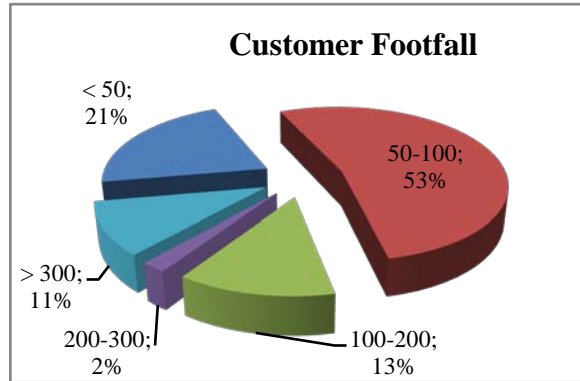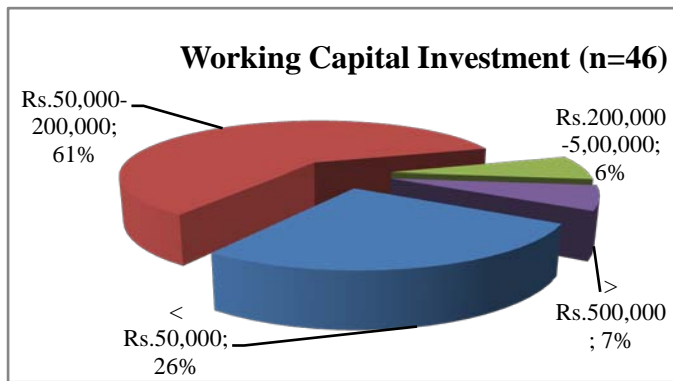
Sixty percent of retailers maintain an average stock value in the range of Rs.50,000 –Rs.200,000. Twenty six percent of retailer maintain less than Rs.50,000 stock. A retailer's working capital investment reflects his scale of business and gives an idea of the investment s/he can make. Most retailers procure stock either on a monthly, fortnightly or daily basis, depending on the location of market. The retailer buys from distributor in either cash or credit. The credit period varies from a week to three months.

More than half retailers cater to the people within 2 to 5 kilometre radius of their shop, another one-fourth cater to populations within 2 kilometres of their shops and a similar fraction operate in a 5 kilometre radius.

Fifty three percent respondents receive on average 50-100 customers on daily basis. Thirteen per cent retailers receives about 100 to 200

Encouraging Factors - Retailer
Multiple responses recorded from the groups--thus percentages add up to more than 100
74% Additional profit
32% Reputation
30% Complementary Sales
13% Existing Infrastructure
9% Market Demand

customers daily, while 11% receive more than 300 customers per day. The footfall is generally high in grocery shops due to availability of wide range of products. Half of the retailers own the shop, while the others work out of rented ones.

Encouraging Factors

Additional profit: Respondents took keen interest in the proposed model because they see it as an additional source of income, which (they believe) they will earn without any extra investments or added infrastructure. Clearly they did not factor in the working capital tied-up in managing e-money.

Reputation: Retailers hope that association with financial and government institutions will give an impetus to their social image and market credibility. This will be seen as an effort to offer doorstep banking to local residents, freeing them from hassle of going to a bank and that too without incurring any added expenditure.

Complementary Sales: Retailers feel that whenever customers come to the shop to make a transaction, they would end up buying some goods as well. This will push their sale figures without any extra effort. Subsequently, income will increase. Seventeen per cent of the respondents feel that prospective complimentary sales are their motive for joining this business.

Existing Infrastructure: Retailers say that with their existing shop space, staff strength, and current customer base, they are ready to be in the BC business. So with no extra investment they see the potential for monetary benefit from this model.

> *"Paisa jama karne ayega to kuch kapre kharid lega".*
> One of the respondent explaining the complementary sales, accruing out of the proposed business transaction. He says, that a person may buy cloths also, if he comes for the banking transaction.
>
> *"Agar koi dukaan par aayega to kar lenge".*
> One of the retailers explaining his confidence of becoming a BC agent, owing to number of years in the current business line.

Apart from the above mentioned, respondents feel, that there is a market demand that could be tapped, as customers prefer doing banking at door step. Several retailers also see this model as a way to accommodate remittances. They were encouraged as they sense there is a lot of unmet demand for this kind of product.

Discouraging Factors

In sharp contrast with distributors' concerns, retailers find banking confidence, work complexity, time, and staff constraints could be their drawbacks.
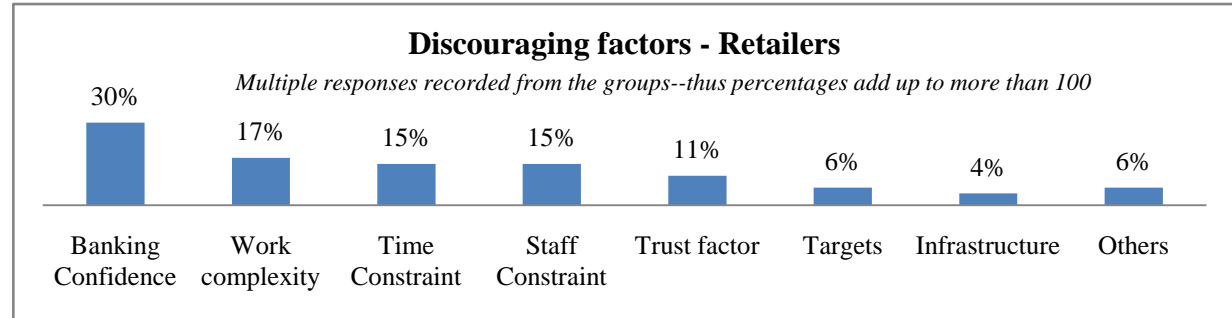
Banking Confidence. This is the single most important factor acting as a deterrent for retailers to start a BC business. Lack of business confidence for banking, stems from doubts and confusion regarding terms and conditions of the business. Retailers also worry that the model may not work and ultimately crumble.

Discouraging factors - Retailers

Multiple responses recorded from the groups--thus percentages add up to more than 100

Banking Confidence	Work complexity	Time Constraint	Staff Constraint	Trust factor	Targets	Infrastructure	Others
30%	17%	15%	15%	11%	6%	4%	6%

Worries include:
- Given that mobile companies have started working in the banking segment, there will be competition.
- Banks' presence in proximity dilute the idea of doorstep service
- No prior experience in rendering such a financial service
- Incidences of past frauds may discourage customers and thus business
- It will be difficult to track migrant customers in case of fraud

"Yeh ek aisa model hai jo interiors mein zyaada chalega jahaan sebank kee doori adhik hai"- (this model will work more in interior areas, where there is no bank in vicinity)

Work Complexity: Retailers find the expected complexity of the bank-related work as another big discouraging factor. Issues pertaining to the technical mobile banking platform, KYC documentation, norms of government banks, and the interaction with banks on a daily basis could make the experience very complex.

Time Constraint, Staff Constraint. Fifteen percent of the retailers cite staff and time constraints as the major discouraging factors. They say that separate staff will be needed to implement and bring efficiency in the proposed model. They reason that the same staff cannot sell grocery items and do banking transactions at the same time. Also, it will not be possible to always conduct business via mobile phone in a grocery or medicine shop.

In addition, respondents note that people may not trust the BC model for banking initially. They also expressed concern about high targets and low margins. Retailers already sense that interactions with customers will be different from their normal business dealings for cash transactions, account maintenance, and numerous customer queries. Several retailers mentioned that their existing model seems to work on little margin and a BC business may not work with such low margin levels. A small percentage of the sample mentioned that a separate shop space along with transaction counters would be required for running the BC business.

SWOT Analysis of Supply Chains

This section presents SWOT-- strengths weakness, opportunities and threats--analysis of the three major distribution networks as agents in the BC model: pharmaceutical, FMCG (grocery shops), and telecom stores. [16]

Pharmaceutical: There is no specific design for supply chain of medicines in the Indian market; it varies with change in region and company. Generally, products are transported to distributors either through a C&F[17] or directly. Mostly one C&F agent looks after an entire district and acts as a link between distributors or stockist and the pharmaceutical company. Distributors are normally situated in central locations in cities from where they cater to the supplies needed by the retailers in their area. Stockists are based in large-to-mid-size cities and act as, both retail sellers and wholesale dealers to smaller retail medicine outlets. Thus, it is the retailers who interact directly with consumers, both in rural and urban areas. Generally, retailers earn a margin of 0-10%, whereas distributors earn a margin of 2-9%.

Strengths		Weakness	
Strengths	+ Good reputation of the pharmaceutical retailers in the rural areas as they are considered to be more educated and honest because of their profession. + Most medical shops have a better set-up compared to other shops and usually have more than one person at the counter. They are thus, more suitable for banking. + Due to the high value of their stocks, most pharmaceutical retailers have a better financial capacity to invest in this additional line of business. + Pharmaceutical retailers are already registered with government departments, like drug authorities, sales department and IT department. This tends to make drug retailers more reliable. All households visit such shops every once in a while.	**Weakness**	- The medical shops are not many in number in semi-urban areas and often quite crowded. - All retailers are not served by the distribution channel in remote rural areas, so they have to go to the market to buy stocks and thus often close their shops. This channel cannot be used for regular banking business. - The distributors remain busy all the time as they deal with several companies. The marketing agents take orders in the first half of the day, and in the second half, return to the office for getting the delivery ready. They do not have enough time to get into this new business, which does not match well with their existing work.
Opportunity	+ Source of additional revenue apart from the main business for both retailers and distributors + Existing sales of retailers may also increase because of additional sales to the new customer base acquired for banking purposes. + Extended working hours of medical stores may be very useful for considering them for banking business	**Threats**	- Lack of banking experience along with time constraints imposed by additional medical counselling--most pharmaceutical retailers feel obliged to offer regular customers--may lead to neglect of small-value transactions. - Unintended errors or technological problems at bank's end may ruin the existing relations of retailers with their customers, which is a big risk for them.

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[16] The SWOT is based on interviews with network members—distributors, wholesalers, and retailers. The SWOT presented is limited to the present understanding of the respondents. Therefore, this is not an exhaustive SWOT for the network channels. For example, it does not touch on issues like liquidity management, which is common to all networks, or promoting the product, which is specific to the retailer. These will become important once the business picks up or the channel members face these issues.

[17] Please refer to http://allinterview.com/showanswers/23520.html, accessed Jan 18, 2010

	- If the transaction amount grows bigger, there may be risk of keeping excess cash in the shop because of late night working hours.

FMCG: In terms of penetration, the FMCG retail network scores way above any other channel present in India. However, the distribution network for FMCGs is not always well organised in rural areas. Small villages have tiny shops that offer all the basic necessities. Supplies are generally routed to either regional warehouses or sent directly to distributors in large localities. These distributors have connections with the retailers nearby. In semi-rural localities, many retailers and wholesalers are established. These wholesalers stock a variety of products from many manufacturers. Most of the tiny village shops procure their supplies from these wholesalers. Margins vary in a broad range for all the players; for most of the branded goods, the margins at retailer's end are around 10%.

Strengths	**Weakness**
+ Very strong presence of multiple retail shops, even in small and remote villages. + Network of wholesalers is more widespread than any other supply chain, with many wholesalers located in smaller markets and small towns. + Constant interaction of retailers with distributors/wholesalers, as retailers have to replenish their stock quite frequently because they deal in a large number of items. + Strong relationship of the retailer with the end customers, due to daily business, which often includes a credit relationship. + Women and children also have good access to such shops	- Time constraints faced by both distributors and retailers as both manage a wide array of products and high turnover. - Many grocery shops located in villages have poor infrastructure as there is no minimum basic requirement to setup a grocery shop. - Level of education among rural retailers is typically low. Document verification, identification check, conducting transactions and other banking activities may be a challenge for such retailers. This may reflect poorly on the bank. - Many retailers do not always purchase products from the distribution channel. Often, they just visit a wholesaler's shop to buy the required goods. Distributors, in turn, do not always service small retailers in remote areas because of the cost involved.
Opportunity	**Threats**
+ New business may act as a source of additional revenue apart from the main business for both retailers and distributors + Existing sales of retailers may also increase because of additional sales to the new customer base acquired for banking purposes. + This business may encourage frequent communication between retailers and distributors resulting in better coordination of their existing business. It may also lead to strengthening the FMCG distributor's network.	- Customers who buy on credit from the retailer will face obvious conflicts in depositing savings with him. For both sides, this separation of banking from normal retail business poses a potential problem. - Lack of proper education, plus time constraints, may make retailers vulnerable to fraud and errors. - Unintended errors or technological problems at bank's end may ruin the existing relations of retailers with their customers, which is a big risk for them.

Telecom: The supply chain of airtime of mobile phone operators is comparatively simple. Authorised distributors manage specific companies. They purchase airtime from mobile phone operators and then resell it to airtime retailers in their area—with thin profit margins for both. The financial returns depend more on volume of operations.

Strengths	Weakness
+ Good penetration of telecom recharge shops to service the ever-increasing number of mobile phone users, even in remote areas. + Prior experience in handling mobile-based transactions can facilitate mobile-based banking system. + Many mobile recharge shops already have desktop computers for mobile download services, which can be easily extend to include mobile banking. + Relatively higher availability of space in mobile recharge shops than in FMCG or medical shops. + Majority of telecom retailers are young and easy to train. + Distributors visit every one-two days, which makes it easy to route banking services through this channel.	- Existing telecom retail network is relatively new in rural areas and thus, might not enjoy high levels of rapport and trust among the local residents. - Most retail shops are small, with low net worth, so stability of such shops is doubtful. - Most of the retailers are young. Young retailers are quite active but lack the seriousness or professionalism, which people demand for bank-related transactions. - Telecom retailers have high incentive aspiration on every transaction as they tend to compare the proposed BC model with the margins offered by telecom sector, which is as high as 2-3% per transaction.
Opportunity	**Threats**
+ High mobile penetration in rural areas will help BCs and banks in terms of using mobile phones to enable banking transactions. Existing mobile distributors and retailers can be heavily exploited to deliver banking services in remote areas. + Most people already understand mobile recharge. The simpler aspects of mobile banking use the same interface and should not be difficult for them to understand and adopt. + With a little extra effort, retailers and distributors can get more customers and get additional revenue	- Unintended errors or technological problems at bank's end may ruin the existing relations of retailers with their customers, which is a big risk for them. - Telecom retailer may not give preference to a banking customer over his routine customers as margins in banking are lower. - There may be conflicts between the core business of the telcom and that of the bank.

Market-led solutions for financial services

Conclusion and Recommendations

The research findings suggest a set of attributes a BC service provider should have. Several possible options—each with its strengths and weaknesses–also emerged for implementing the BC model. Potential customers appear to have no fixed preference for BSPs, although grocery shops, mobile recharge shops and medical stores find most favour.

1. For everyone, trust in BC service providers is the major criterion. Despite the fact that BC service points will be controlled by banks, acquaintance with the person or place chosen, domicile of the person, and proven honesty of the person are all considered very important. Other critical attributes are capability, accessibility, and customer service.

2. No channel is ideal for BSPs, but telecom services emerge as the most suitable channel with well-defined interactions and cash flows. FMCG and pharmaceutical shops have certain advantages as well, like strong and longer-term relationship with customers and a trusted presence in the area.

3. To ensure that the BC model is a success, banks need to find ways to ensure that excluded communities do not stay excluded, like women and landless labourers**.** These groups worry that BC agents, who are too wealthy and with too much local power, will not be able or willing to serve their needs.

Annexure

Annexure 1: FGD Guide for potential customers

Welcome
▪ Thanks for coming, we are from *MicroSave*, we assist banks and other financial institutions in designing products for un-banked market. RBI has allowed banks to use different channels for distribution of financial products like savings, we are exploring different channels like FMCG, pharmaceutical, telecom, payment service shops, petrol pumps, agents of small savings scheme and any such service provider, to find out how these channels work and which of them can be used by banks. We will need some time from you to understand from you about the same. thanks in advance for your support
▪ Your names and any personal information will be kept confidential – so please feel free to express your opinions.
▪ As a first step we should introduce ourselves.

Warm up Question/Profiling:
▪ What is your name, age and occupation?

General Questions	**Related Probes**
▪ Do you have bank account?	
▪ How far do you go to access banking services?	
▪ How frequently do you visit the bank and for what purpose?	
▪ Why you do not have a bank account? (for those who do not have bank account)	Probe on why? What are the issues in opening a bank account or using bank? Note: one can take this as a base while explaining BC later.
▪ Do you own a mobile?	

Section A (with all groups)	
Core Questions	**Related Probes**
1. Why do people go to the bank?	▪ Probe for services offered. The responses – Savings, Credit, Payments,
Introduce Concept of BC: A BC service is a banking correspondent service conceived by the RBI. In this service, a person/institution will be given banking license by a bank. The bank will, thus, authorise the person/institution to conduct banking operations from a point.	
1. What factors will make you use such a place for BC services. *(generating attributes and ranking)*	▪ Probe for reasons ▪ Which is the most important factor
2. *Who could be potential person or place that could act as BC?*	▪ What are the places/people where cash transaction happen? ▪ Probe for all facilities/services you will expect at a shop to believe it's a bank branch

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	▪ Probe for the list of RBI, lest introduce those: fair price shops, chemist, PCO, grocery, petrol pumps, telecom shops, retired bankers, government employees, teacher/army personnel, SHG, financial service agents
3. What factors would make you feel comfortable about a potential BC agent?	▪ Probe for each service point category ▪ (remember this is proxy for RPR)
4. What factors make you feel uncomfortable about a potential BC agent?	▪ Probe for each service point category ▪ (remember this is proxy for RPR)
Closure	
Thank you for your contributions in this discussion. Do you have any questions/comments for us	

Annexure 2: BC Attribute Ranking Guide

What is BC Attribute Ranking?
BC Attribute Ranking is a method for finding out what participants view as the key elements/criteria/attributes in a BC agent and how relatively important each is. Alternatively it can be used to understand clients' satisfaction/dissatisfaction with different elements of the BC agent.

Purpose: Agent Attribute Ranking allows us to see how clients and potential clients perceive the components of financial services, and which of those elements are important for them. It also helps challenge pre-conceived notions about poor people's attitudes towards financial services, what matters to them, and why they have those preferences.

Procedure:
1. Introduce the concept of BC
2. Get the participants to describe in their terms what is good or bad about the financial service provider characteristic that is being ranked. Probe for further criteria/components. Follow up with points of interest and encourage participation by different people. Ask what factors will make you use such a place for BC services
3. Get participants to list all the criteria/components generated in this way. Remember to make negative ones positive/neutral (e.g. "high minimum deposits" becomes "minimum deposit" or "low possibility of getting credit" becomes "possibility of getting credit").
4. Put all the criteria/components on cards – one for each criterion/component (e.g. distance/ proximity, interest on deposits etc.) The list of BC attributes that should be introduced while ranking are – Property, Domicile, Education, Honesty, Behaviour, Service Time, Accessibility, and Proximity. In addition, if there are any other attributes from the group, please include those as well.
5. Ask participants to rank the cards arranging them with the most important criterion/component at the top, going down to the least important at the bottom. (Note: in some cases participants prefer to put the cards in order of the attribute they dislike the most down to the attribute they like the most i.e. to rank by level of dissatisfaction through to satisfaction. This approach also works, but loses important information in terms of which attributes [irrespective of whether they are liked or disliked] are the most important for clients when they are making decisions on whether to use the product or not).
6. Ask participants probing questions like the following: Why is this so important? Why is this more important than that one? What makes that a relatively small issue for you? etc.
7. Do not use your own criteria, unless clearly separated from theirs.
8. Listen and learn from the participants – particularly as they discuss the merits of each criterion.
9. You should then write down something in your notebook that looks like:

BC Services

Criteria/component	Rank	Comments
Distance/Proximity	1	This is the most important since there are few banks in the area and participants need a place to keep their money where they can access it quickly in case of emergencies.
Security	2	The bank must have a good reputation – security of savings is most important
Minimum Opening Deposit	3	Poor people cannot open an account with the amounts usually required by banks (50,000 shillings)
Minimum Balance	4	Poor people cannot maintain a balance of the amounts usually required by banks (50,000 shillings)

Friendly Staff	5	The staff should welcome their clients and not make them feel small and unimportant.
Chance of Getting Credit	6	Poor people in this area need credit, particularly for expanding their stock on the market stalls and also in the maize planting season (February)
Fast Service	7	Traders usually have little time to wait in line since they have to return to look after their stalls.
Opening hours	7	The market finishes at around 4.00pm and it would be helpful if the bank was open until about that time so that the sales' proceeds can be deposited before the traders go home – otherwise they have to deposit the money the following morning.
Interest on Deposits	9	Not very important – it is never very much anyway !

Annexure 3: Individual Interviews

Retailer Interview

Personal details	Observation	Comments
Name		
Type Of retailer (FMCG/pharma/telecom/etc)		
Location type (market/residential/mix)		
Location name and address		
Age		
Years of experience		
Educational qualification		
Business Details		
Area of service point		
Operating hours		
Number of villages covered/catchment area		
Shop ownership status(owned or rented)		
Number of people working at retail shop (including owner)		
When do you close the shop (any specific day in week?)		
Daily sales		
Daily income (Margin) [record for all products]		
Working capital investment at any point of time		
How do you manage liquidity at shop?		
Do you think your shop can be used as a service point for delivering financial service? • Encouraging factors? • Discouraging factors?	Encouraging Factor - Discouraging Factor -	
Customer		
Customer profile		
Daily customer footfall		

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Average time spent by customer at service point		
Do you provide credit facility		
How much percentage of sale is credit?		
Relationships		
From where do you purchase stock		
How do you pay for purchase?		
How much credit period you get from your Distributor		
Who visits you from the supplier/company- how often?		
What incentive do you receive from the supplier company/distributor?		

Distributor Interview

Personal details	Observation	Comments
Name		
Type Of retailer (FMCG/Pharma/Telecom/etc)		
Location type (Market/Residential/Mix)		
Location name and address		
Age		
Years of experience		
Educational qualification		
Business Details		
Area of service point		
Operating hours		
Number of villages covered/catchment area		
Shop ownership status(owned or rented)		
Number of Retailers		
Number of people working at distributor Shop (including owner)		
When do you close the shop (any specific day in		

week?)		
Daily sales		
Daily income (Margin) [record for all products]		
Working capital investment at any point of time		
How do you manage liquidity at shop?		

Do you think your shop/channel can be used as a service point for delivering financial service?
   • Encouraging factors?
   • Discouraging factors?
	Encouraging Factor:
	  -
	
	Discouraging Factor:
	  -	

Retailer		
Retailer profile (age group)		
Retailer Profile(product)		
How many times in a day do you interact with retailers?		
Do you provide credit facility		
How much percentage of sales is credit?		
How much credit time period you give to retailers.		

Annexure 4: Attribute Definitions

Honesty refers to the personal ability of an individual to refrain from committing fraud when such an opportunity arises. In all the discussions with respondents, an honest person was visualised as the one who will not make money in this business by fooling them.

Domicile is defined as the time duration for which a prospective service provider has been the resident of a particular location. Generally, longer duration of stay results in better acquaintance of the person in the locality, which, in turn, adds to the confidence of people living in the area with him.

Property ownership of the prospective service provider refers to the amount or net worth of the property owned by the prospective service provider. Higher property results in more confidence with the service provider. The property includes land ownership, shop size, house size, or business.

Education as an attribute here refers to the level of education of the potential service provider. This attribute gained its importance due to the nature of work of a banking correspondent, which includes complex book keeping and understanding of banking procedures.

Proximity is the distance of the customer's house from location of the prospective service provider. This attribute has direct bearing on the accessibility of the services offered by the BC.

Behaviour was described as the mannerism of talking and treating customers. Behaviour is again a service attribute as accessibility and it came out as an important attribute in almost all the group discussions.

Availability refers to the working hours of the service provider. In the majority of groups, availability came out as an important attribute of shops they like. Whenever introduced to the groups as an attribute, availability was explained as the number of hours a shop is open.

Service Time was discussed as the amount of time required to execute a transaction at the prospective service provider's location. This attribute was considered by the respondents because they wanted to spend a little time as possible on bank-related work.

Shop Infrastructure refers to the size, appearance, cleanliness and overall visual appeal of the prospective service provider location. This attribute was included because a few respondents exhibited their propensity to visit shops with better infrastructure for their banking transactions.