MicroSave

Market-led solutions for financial services

Optimising Agent Networks in Gujarat

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Disclaimer
Qualitative research is designed to look beyond the percentages to gain an understanding of the customer's beliefs, 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 data 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 or number of respondents for responses captured from individual respondents, and percentage or number of sessions, when responses are captured from a group.

EXECUTIVE SUMMARY

The agent network model discussed in this study has several levels. Banks recruit business correspondent network managers (BCNMs), who, establish good rapport with distributors [1] who, in turn, offer access to retailers and their customers. The retailers selected as business correspondent agents (BC agents) receive training and certification to act on behalf of banks.

The study is an attempt to understand:
1) Characteristics that bank customers look for in a BC agent
2) 'Motivators' for retailers to become BC agents
3) Compatibility, and possible incompatibility, between these characteristics and successful 'motivators'

Respondents in the study include potential customers, banked and un-banked, plus likely BC agents—retailers and distributors from rural and semi-urban areas of Ahmedabad and Kutch district in the state of Gujarat. For a qualitative assessment of the three points above, *MicroSave* used focus group discussions, attribute rankings, and individual interviews.

Findings show:
- Customers value honesty, cordial behaviour, and education as the three most important attributes in a BC agent. Willingness to accommodate customer's banking needs after shop hours is also important. Most respondents value long-term residency, property ownership, and honesty more than the type of shop or occupation. Too much leverage and influence are negative attributes. Respondents worry that their money may not be as secure and their needs may seem unimportant to regional power brokers.
- Over 60% of the retailers interviewed believe that becoming BC agents will provide valuable additional income and potentially more business.
- Retailers, however, worry about the time and expertise the bank transactions will require the sensitivity of certain transactions in a shop with minimal privacy, and the additional customer support necessary when problems arise.
- Distributors seem generally positive about the proposed service, but are also concerned about their retailer's ability to manage the normal demands of business, plus complex financial transactions and possible disputes. They also note that ambitious targets for new accounts will be difficult in areas where financial inclusion efforts have already proved successful.
- Active bank supervision and support will be essential to ensure close coordination between all the various levels. And there will be exceptions to the model outlined above. *Kirana* stores (or local grocery stores), for example, tend to deal directly with wholesalers, so distributors will not be an effective link for them.

The best ways to provide improved banking services for poor households will emerge over time. The business correspondent channel is a first step in that direction.

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[1] A distributor is a person or firm that a firm which sells and delivers merchandise to wholesalers or retail stores (retailers) or acts as an intermediary in business supply chain. A wholesaler (if part of supply chain) is intermediary between distributor and retailer.

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INTRODUCTION

Access to banks is one of the most difficult aspects of financial inclusion. Many poor people in rural areas live far from bank branches. Travelling to and from banks is expensive (many lose a day's wage or more in the process), and their experience, once there, is often lengthy and frustrating. Complaints include:[2]

- **-** Insensitive and overburdened staff
- **-** Long queues
- **-** Excessive documentation requirements
- **-** Limited and unreliable ATM and other IT resources
- **-** Insufficient support for illiterate and sub-literate customers
- **-** Inadequate or confusing information regarding the various accounts and services available

The Reserve Bank of India's (RBI's) solution to these and other related woes has been the introduction, in 2006, of the business correspondent (BC) model—agents and agent network managers who can represent banks. The agents can perform bank services in remote locations for existing customers without branches nearby and for the more than 400 million Indians who remain without bank accounts.[3] The RBI has recently also eased restrictions for mobile network operators (MNOs) and other for-profit companies, allowing them to become more directly involved in the BC model and mobile money initiatives. The larger business correspondent network managers (BCNMs) such as FINO, SEED Financial Services and A Little World, are seeking private equity funding to help meet the government financial inclusion targets for early 2012. These targets include 73,000 villages with populations of 2,000 or more.[4]

Numerous questions remain unanswered. Trust and security are most important for customers. Motivation, commitment, and liquidity management are the primary issues for BCNMs and their agents/service providers. Despite the glowing stories of technology's success in extending branchless banking in Kenya and Brazil, none of this works without agents. Mobile phones and other portable devices are still a long way from providing full cash-in/cash-out services, and human beings—especially where their money is involved—need explanation, reassurance, and mediation that only other human beings can provide. This study explores these needs in detail.

AGENT NETWORKS FOR THE BUSINESS CORRESPONDENT MODEL: ASSUMPTIONS

The BC model in India is designed to take banking services to the doorstep of customers living in remote locations. There are several guidelines and regulations in place with respect to the selection of BC services they can provide and their operation.[5] Currently BC agents may provide the following financial transactions: disbursing and servicing small loans, mobilising small deposits, selling micro-insurance/ mutual fund products/ pension products/ other

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[2]See Basu, Priya (2006)"Improving Access to Finance for India's Rural Poor," The World Bank for a more detailed study of these factors. This report uses data collected as part of the Rural Finance Access Survey, conducted jointly by World Bank and National Council for Applied Economic Research (NCAER) in 2003.

[3]http://www.rediff.com/business/report/banks-should-tap-the-unbanked/20110317.htm (Please see also *MicroSave*, "The Answer is 'Yes'—Cost and Willingness to Pay," April 2011, for more details on these estimates.

[4]http://www.business-standard.com/india/news/business-correspondents-explore-pe-funding-route/432187/

[5]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
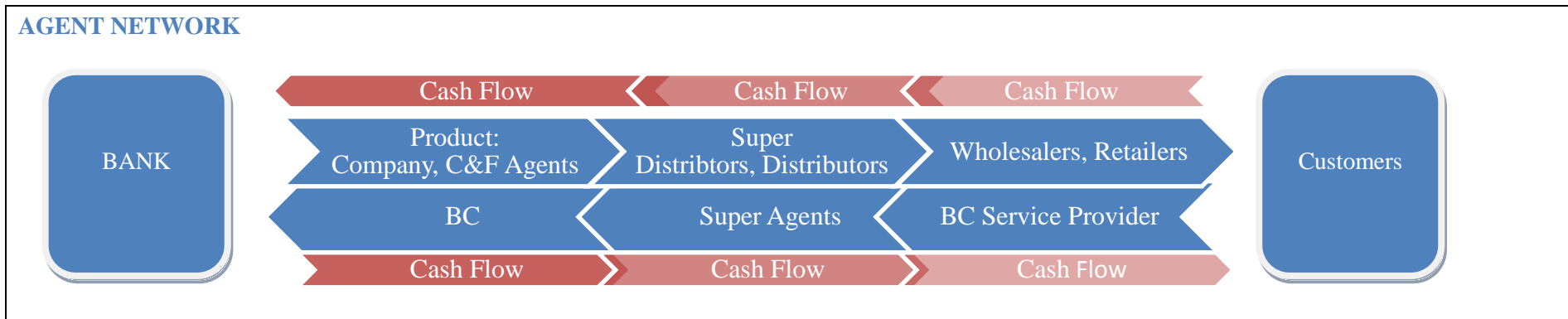
third-party products, and receiving and delivering small value remittances. In addition to this, BC agents also provide a human face to branchless banking service. Especially in the initial stage, agents will be responsible for educating customers about the service and helping customers complete transactions.
The RBI has approved the following entities to be appointed as BCNMs/BC agents:

1) Individual *kirana* stores/ Fair Price Shop owners/ pharmacies and small medical shops
2) Individual public call office (PCO) operators
3) Agents of savings schemes for the Indian government and 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 for non-governmental organisations (NGOs).

Successful agent networks typically require a tiered structure of super agents and agents. Super agents coordinate with the BC service provider and help manage a group of agents. Many retail networks are already structured in this manner with distributors managing supply for a group of retailers. Thus, these outlets are structured in a manner that lends itself well to BC agent network management.

The agent network assumed for this report is as follows: the bank appoints a BCNM, who acts as a supervisor for the agent network for that particular area and bank, as has been agreed upon. This 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 agents or BC agents.

AGENT NETWORK

BANK	Cash Flow ← Cash Flow ← Cash Flow			Customers
	Product: Company, C&F Agents →	Super Distribtors, Distributors →	Wholesalers, Retailers →	
	BC →	Super Agents →	BC Service Provider →	
	Cash Flow →	Cash Flow →	Cash Flow →	

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RESEARCH PROCESSS

Research Objectives
The objectives of the study are:
1) To understand customer perception of service points and channels through which receive financial services can be delivered
   a. To explore preferred attributes which customers seek in agents providing banking services
   b. To understand preferred customer service points and preferred channels to receive financial services
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)[6] for delivery of financial services through the BC channel.

Area Profile
The research was conducted in the districts of Ahmedabad and Kutch in Gujarat. Kutch is in the western part of Gujarat and Ahmedabad is in the central part. While Ahmedabad is well serviced by commercial banks, Kutch is less so.[7] The table below shows the presence of bank branches in rural, semi-urban, and urban parts of districts.

Population Group	Ahmedabad	Kutch
Rural	54	84
Semi Urban	53	53
Urban	3	71
Metropolitan	617	-
Total	**727**	**208**

Ahmedabad city is a major economic centre of the state of Gujarat and is also the seventh largest city in India. Kutch is the largest district in India. Large parts of Kutch become submerged in water during monsoons to give way to dry lands in the dry season.

Ahmedabad is also a populous district of the state with around 5.8 million people. Kutch is sparsely populated since large portions of it are covered by marshy wetlands for a part of the year. Its population is close to 1.5 million, as per Census 2001.[8]

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[6] 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.
[7] http://www.rbi.org.in/scripts/PublicationsView.aspx?id=12671, accessed 28-01-11

As part of the Reserve Bank of India's mandate to increase financial inclusion, the State Level Bankers' Committee in Gujarat is working with the leading banks of Gujarat to cover as many un-banked villages as possible. Banks are being encouraged to increase financial inclusion either by opening a full-fledged branch, a satellite branch, or by appointing BCs in the region.[9]

Research Tools
The researchers used following participative data-collection methods:

1. **Focus Group Discussions (FGD):** The FGD tool helps to bring out a group's thinking on an issue. This tool was used to record potential transaction points, customers' likes and dislikes about the transaction points, and desired attributes in a BC agent/service provider. Please refer to Annexure 1 for the discussion guide.
2. **Attribute Ranking (AR):** 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 the other. This tool was used to rank the attributes that customers seek in a BC agent. Please refer to Annexure 2 for further detail.
3. **Individual Interviews:** Individual Interviews were conducted with retailers and distributors of the pharmaceutical, mobile recharge, fertilizer and pesticide, and grocery retail networks to understand their views on the BC model. In this study, this tool was used to speak to potential BC agents as it is difficult to form groups with them. Please refer to Annexure 3 for further details.

S. No.	Tool used	Total No. of Sessions	Total Respondents
1	**Focus Group Discussion and Agent Attribute**	22	103
2	**Individual Interviews: Retailers**	20	20
3	**Individual Interviews: Distributors**	08	08
Total		**45**	**126**

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[8]http://www.censusindia.gov.in/default.aspx, accessed 27-01-11, accessed 04-07-2011. Most recent district-wise population figures available for Gujarat are from Census 2001.
[9]For more information, visit http://www.vibrantgujarat.com/vibrant-gujarat-summits/news-and-announcements.aspx , accessed 28-01-2011

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Sample
The sample of respondents in the research is purposively chosen as rural and semi-urban. The sample includes respondents with and without bank accounts. For individual interviews of retailers and distributors, convenient sampling method was used. The distributors were contacted using the information given by their retailers. All retailers and distributors contacted in this study operate in urban and semi-urban areas in the two districts of Ahmedabad and Kutch.
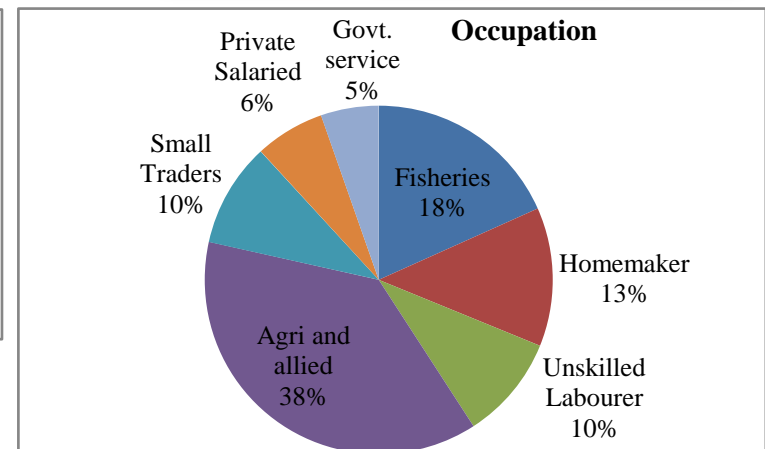
POTENTIAL CUSTOMERS: FINDINGS FROM FGD & ATTRIBUTE RANKING
Profile[10]

Gender

Female 40%

Male 60%
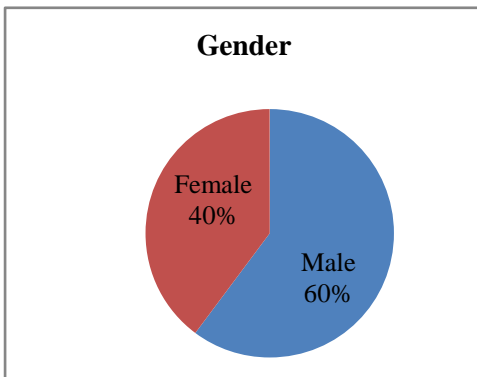
Respondents in this study were 40% female and 60% male. Sixty-two percent of the sample is within the ages of 18 and 45 years. Young people in the age group of 18-25 years comprise 14% of the total sample, and respondents who were 46 years and above had a total representation of 2% in the total sample.

Literacy levels in this sample are high. Almost 80% of the sample has completed some schooling above 5th class. Around 28% have studied up to senior secondary level. Approximately two fifths of the respondents rely on agriculture or other allied livelihood.

Age of respondents

>55 years 11%

18-25 years 14%

26-35 years 29%

36-45 years 18%

46-55 years 28%

Education

43% | 33% | 20% | 3% | 1%

6th - Inter | Illiterate | Till 5th | Graduation/PG | Literate

Occupation

Private Salaried 6%

Govt. service 5%

Small Traders 10%

Fisheries 18%

Homemaker 13%

Agri and allied 38%

Unskilled Labourer 10%

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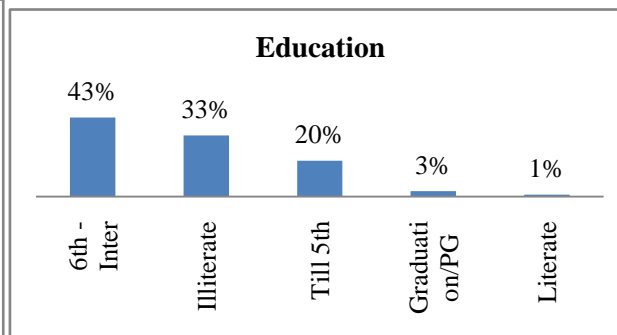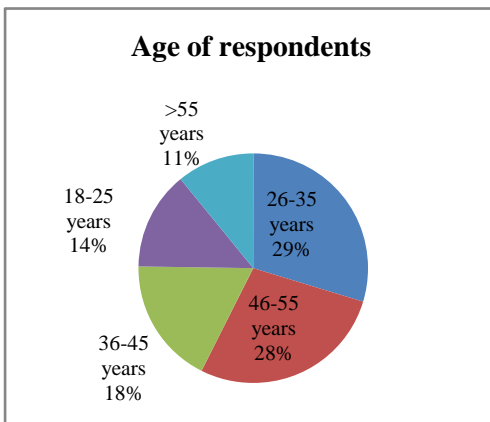
[10] The sections on 'Profile' and 'Attribute Ranking' provide data collected from respondents who participated in the FGDs and Attribute Ranking.

Ninety-one percent of the respondents have access to a mobile phone. Further, respondents are fairly mobile-savvy with over 50% being able to read messages sent to them, at least in Gujarati, the local language. These high levels of mobile ownership and literacy bode well for m-banking.

Mobile Literacy

25%
18%
23%
24%
4%

Can Not Use   Receiving   Dialing   Message Reading   Message Sending

6% did not answer the question

Distance of Bank from Village

> 20 km 8%
< 2 km 15%
10 - 20 km 21%
5 -10 km 11%
2 - 5 km 45%
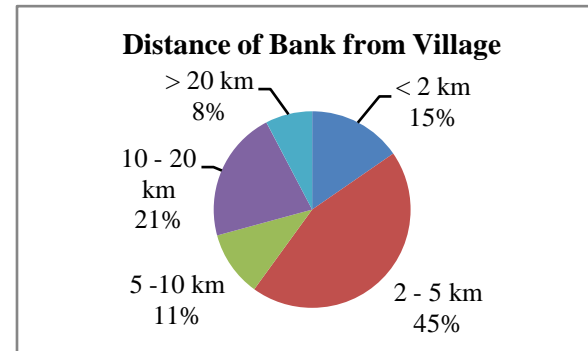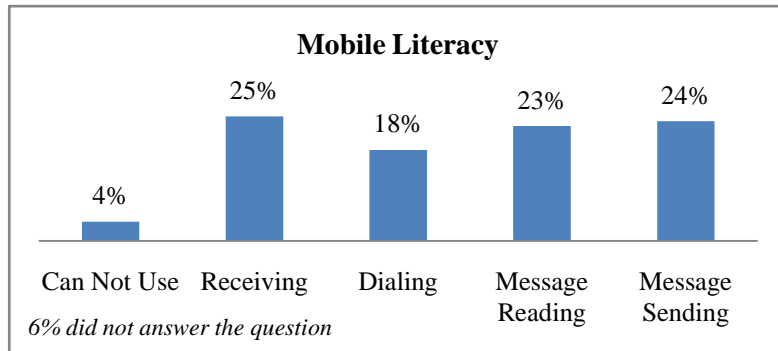
A little over 40% of the households have their own bank accounts. An additional 20% note that while they do not have a bank account, someone in their household has one. The prevalence of bank accounts is partially explained by the drive for financial inclusion launched by the State Level Bankers' Committee to ensure that no village is left without access to banking services. About

45% of respondents live within 2-5 kilometres of a bank, while 40% respondents live over ten kilometres from their bank. The data reflect the difference in the two districts of the sample. Ahmedabad is more densely populated than Kutch. Thus, banks are more accessible here than they are in Kutch. Bank transactions are not uncommon in the overall respondent group as 22% respondents transact on a weekly basis. Some of the groups which remain excluded from banking services are women and landless labourers.
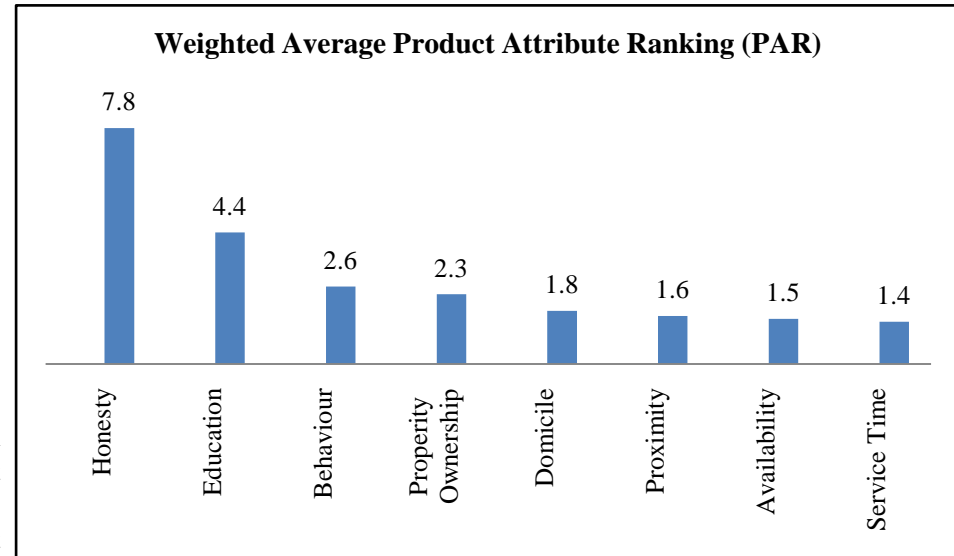
> *"Acchaa admi jarur sabki samaysa ki madad karega aur sab ke sath acha vyavahar karega"*
> (A good man will help people in need and he will treat everyone well.)
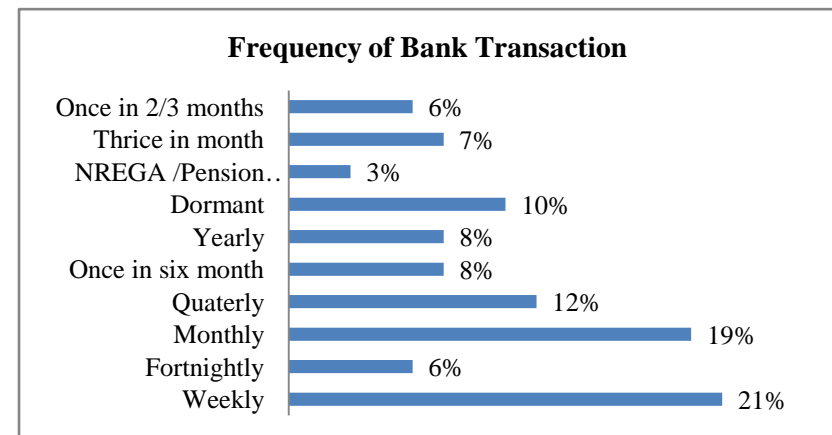
Client Preferences for BC Service Provider: Results for Attribute Ranking
The research team used AR (please refer to Annexure 2 for greater detail on the tool) to arrive at a set of respondent-generated attributes meant to describe the ideal BC service provider, listed from most important to least important. The chart below provides the weighted average results of the PAR exercises.[11] A detailed description of each of the attributes is provided in Annexure 4.

Frequency of Bank Transaction

Once in 2/3 months   6%
Thrice in month   7%
NREGA /Pension…   3%
Dormant   10%
Yearly   8%
Once in six month   8%
Quaterly   12%
Monthly   19%
Fortnightly   6%
Weekly   21%

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[11]A more detailed description of each of the attributes is in Annexure 4. A short description for your quick reference is as follows: 1. **Honesty** refers to the BC's integrity and the respondents' belief that an honest person will not cheat them of their money; 2. **Education** implies the level of educational achievement of the BC service provider; **3. Behaviour** is the manner in which a BC treats his customers; **4. Property Ownership** implies the net worth of the potential BC service provider; **5. Domicile** is a reference to the length of a potential BC's residence in a particular village; **6. Proximity** is the distance between a potential customer's home and the location of the BC service provider; **7. Availability** denotes the working hours and finally, **8. Service Time** stands for the amount of time that one transaction takes once the customer reaches the location of the BC service provider.

The top three attributes are honesty, education, and polite behaviour. In all but one of the PAR exercises, honesty is ranked first amongst all other preferred attributes. The most critical feature of a potential BC service provider seems to hinge on his being "*jaana pehchaana*" (or familiar), non-intimidating, and sensitive to the respondent's time constraints. Needless to say, the security of one's money is paramount to everyone. Furthermore, respondents recall incidents from the past where informal finance companies have cheated local people of their hard-earned money, thus making them wary of any future bank dealings which are not directly with the bank.

Level of education is seen as the second most important attribute. The respondents say that person who handles their money should be educated and capable of understanding the technicalities of the model. They add that if a person is not educated then all the other attributes become redundant. However, some respondents argue that if the person is educated, but not

Weighted Average Product Attribute Ranking (PAR)

Attribute	Value
Honesty	7.8
Education	4.4
Behaviour	2.6
Property Ownership	2.3
Domicile	1.8
Proximity	1.6
Availability	1.5
Service Time	1.4

reliable, then he is of no use. Respondents say that if a person is educated then s/he is more likely to behave properly and will be able to explain the banking rules and services.

"Paisa kha gaya toh mal milkiyat se mil sakta hain" (If he steals our money, we can recoup our loss from his wealth.)

"Imaandari nahin to sab fail" (If there is no honesty, then everything else is of no use.)

Respondents also want BC service providers to have cordial and polite behaviour. Polite behaviour is valued for its own sake. *"Jab jao toh hasta hi rahe"*. (He should have a smiling face whenever we visit him.) Respondents co-relate polite behaviour with other attributes such as honesty. There is an inherent understanding that being well-behaved implies that the agent is willing to provide superior customer service and compromise on issues like availability. *"Apne se time adjust kar lega"*. (He will change timings for us.)

Property ownership is seen as an insurance against a dishonest BC service provider. If a BC service provider commits fraud, his or her property can be seized and money can be recouped. As one respondent says, *"Property rehne se vishwas hota hai, moti party kahan jayegi"* (If he has some property, then we can trust him. A rich person will not leave his wealth and run away.)

Residency or domicile status in the village increases the level of trust dramatically. *"Yahan ka niwasi rahega to viswash rahega aur pehchan hogi aur jab chaho mil sakta hai"* (If the person is from the village, then we will be familiar with him and also can find him whenever we need him.)

Proximity, availability, and service time are less important in that they were placed in the top four ranks in less than a third of the sessions. These factors may not be important now since people have yet to experience the service. Once the BC service begins customers may begin to care about logistical issues like how much time they spend waiting for service at the BC service provider, the hours the BC is available, and how close he or she is from their homes.

While there are barriers to using bank accounts—illiteracy, lack of understanding of bank services, high minimum balance and documentation requirements, low female participation in banking—distance appears to matter less. An account that requires no minimum balance and minimum documents is also seen as a plus.

> ### *PAR Discussion at Gairatpur Village, Ahmedabad* - The Importance of Being Honest
>
> The primary hurdle in the success of the BC service agent appears to be the level of trust the community places in him. A secondary quality appears to be his capability. Respondents prefer someone who is a local resident, known to them, and guaranteed by the bank. It is difficult to trust someone. *"Uske pet mein kya hain, kya pata? Kisi par vishvas na rakhaee"* (Who knows what plans he is hatching? No one can be trusted.) Property ownership is less important. Participants in this AR claim that those who have more property do not enjoy more trust. *"Jo do numbari karta hain, voh sukhi hota hain"* (The person who is dishonest is usually the one who is rich.) The group also specified that proximity would mean nothing unless the person providing BC service is honest.

Dairy *Sahayak*: A Potential BC Agent

Lifra, a small village of Bhuj in Kutch district of Gujarat, is one of the collection centers of Junagarh dairy. Fateh Singh Amirjee Jadeja, 40, is the appointed facilitator for the dairy, locally known as the *sahayak*. Fateh Singh enables the linkage between the Junagarh dairy and the local community, thus streamlining the supply chain of milk. Each morning and evening, the milk suppliers come to Fateh Singh's residence to deliver milk. Fateh Singh, after checking the fat content of the milk with the machine provided to him by the National Dairy Development Board (NDDB), hands over a receipt. The receipt contains the details such as the name, amount of milk delivered, level of fat content and membership details of the milk supplier. A dairy transport vehicle collects the milk from Fateh Singh's residence for further processing. At the end of the day, Fateh Singh generates a summary report of the entire day's transactions.

All community members supplying milk to Fateh Singh have a bank account in Dena bank, situated in Patri village, 20 kilometers away from Lifra. According to Fateh Singh, lack of proper transport facilities in the village makes it very difficult for the dairy suppliers to commute to Patri to collect their payments. As a result, travelling to the bank entails time loss of up to an entire day and a travelling cost of up to Rs.50.

Fateh Singh likes the idea of a BC. He feels it will bring a number of benefits to the village. First, the villagers will save the time and cost incurred in visiting a bank. Second, BCs will encourage people to save small amounts on a daily basis. Fateh Singh believes *sahayaks* will bring great value to this position. Almost 50 people come to him on a daily basis to deliver milk. He is trusted by the community.

Like Fateh Singh, there are many *sahayaks* working in various villages of Gujarat. Other advantages stemming from using the network of dairy coordinators to deliver BC services include:
  ➢ *Sahayaks* are comfortable using technology as they already use electronic machines for their work.
  ➢ Many respondents in the community expressed trust in their local *sahayak*.
  ➢ Leverage the *sahayak* network can lead to significant outreach and penetration.

Customer Preferences: Who can be a good BC Service Provider?

As part of the study, respondents were asked to name specific networks and channels which they currently use and were compatible with the BC business of doorstep delivery of banking services. Some examples of channels given by respondents include *kirana* store owners, village school teachers, and mobile recharge stores. As there are many channels which banks and other stakeholders may find suitable and convenient to work with as part of the BC model, using real examples of existing shops and known individuals as potential BC agents helps to realistically identify the opportunities and challenges of each channel.

Respondents are also able to understand what delivery of banking services at their doorstep will imply.

However, it should be noted that the retailers' perspective (presented in the next section) is just as important as the customers' perspective. Below we present the customer perspective.

> *"Bank par bahut vishwas hota hain par aadmi ka koi vishwas nahin".*
> (I have a lot of faith in banks but none in individual people.)

Advantages	Disadvantages
☝ **_Kirana_ Store Owner** • Trusted • Long-standing relationship	☝ **Fair Price Shops/Ration Shops** • Untrustworthy • Opening time irregular
☝ **School Teacher** • Trusted government employee[12]	☝ **Petrol Pumps** • Far away
☝ **Dairy _Sahayak_** • Involved in work which is complimentary to BC services	☝ **Mobile Recharge** • Very busy shopkeepers
☝ **Financial Service Agent** **(e.g.: LIC Agent, Sahara Agent)** • Involved in work which is complimentary to BC services	☝ **Self Help Group Members** • Doubtful of their ability
☝ **Pharmacy** • Trusted	
☝ **_Anganwadi_ Worker[13]** • Trusted	

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[12]However, *anganwadi* workers and school teachers as government employees are not allowed to take up other jobs during their working hours.
[13]Idem.

Respondents were asked to name shops or individuals in their village who could become BC service providers. In every instance, respondents strongly supported the case for people they know well and people whom they can trust with their money. Apart from the ubiquitous *kirana* or grocery stores, respondents primarily nominated prominent individuals in their villages as potential BC agent. For example, in one of the study villages, the school teacher was deemed a suitable choice by virtue of being a trustworthy government employee; another village rejected their school teacher because he was never present in the village. After some probing, the research team presented respondents with avenues commonly found in rural and semi-urban areas as potential BC agents, such as mobile recharge stores, petrol pumps, and pharmaceutical stores or medical shops.

The most popular channel is the local *kirana* store. These stores are popular because respondents are typically well-acquainted with the village grocer over a period of time, in some cases, going back to their childhood. The store owners are well-known to the respondents and approachable. Many respondents also have running accounts with the *kirana* store that allow them to buy household goods on credit and settle on a monthly basis. Many grocers are open for more than 12 hours and are hence preferred by respondents. It must be noted that in a rural area, residents have variable schedules and are largely dependent on seasonality. Therefore, they prefer an agent who is available for long hours.

In several sessions, respondents pick trusted and esteemed people in the village. Typically, these are government appointed functionaries. For instance, in several places, people choose schoolteachers for this position, even though the teachers did not live in the village, because they are government-appointed. Similarly, some respondents pick dairy cooperative coordinators or *sahayaks* who offer a service which is complementary to the work of a BC.

> About petrol pumps:
> *"Woh toh karoron mein khelte hain aur hum paanch soumein".*
> (They deal in millions, we manage with hundreds.)

At the same time, people are wary of local elite as well. Ration shop owners are seen as lacking in integrity in some cases. As one person put it, "*Ration walla toh ration kha-kha ke tagda ho gaya hain*". (The ration shop owner has become fat, literally and figuratively, by consuming our rations.) Some respondents select petrol pumps on the condition that it employs an individual dedicated to the BC service. Overall, respondents note that a petrol-pumps' ability to act as a BC agent is compromised by the following: petrol pumps are located at a distance from most respondents, certain sections of the population like women do not typically go to petrol pumps, and they are run by wealthy owners who may not be sensitive to the needs of the local population. Similarly, in one village, respondents had a choice between two *kirana* store owners.

One shop was rejected by respondents since the owner was a member of the local rich elite whose honesty and behaviour were seen as being questionable. The other grocer was much more popular. Additionally, he was also the village postman, which was a government position and helped respondents trust him more. Many respondents feel that mobile recharge shops are too busy to be able to handle an additional responsibility.

As in the previous section, this section also shows that respondents prioritise honesty and trustworthiness above all other qualities. Some groups also vehemently oppose the idea of selecting an existing shop or individual because of concerns over the security of their money. They cite the many scams perpetrated on them by private financial companies which have made them wary of new financial schemes. Another important issue is empathy and sensitivity to customer needs, such as time and financial constraints.

The next section presents the opportunities and challenges which retailers or potential BC service providers see in providing this additional service as part of their business. Both customer and BC perspectives need to be aligned before a sustainable business model can be created.

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Focus Group Discussion, Hirapur Village, Kutch

Respondent Profile: Resident livelihoods are primarily dependent on agriculture and dairy. Bank accounts are commonly used to receive dairy payments and repay loans.

Bank Location: Nakhatarana, 12 kilometers from the village.

Responses to BC model:
The primary benefit is accessibility of service. "*Aane jaane ka tikat nahin lagega, akho din ka nuksaan nahin hoyega*" (There will be no ticket costs of going to the bank and the whole day will not get wasted.)
Respondents note the cost of the service could be covered jointly by villagers and bank. "*Gaon wale bhee kabhi paise de sakte hain, aur bank bhee unhe fees de sakta hai*" (Villagers could pay for the service, bank can also pay some fee to service provider.)

Who could be possible agents?
Two names came up regularly: the *dairy sahayak* and the *Arogya Samiti Pramukh*, head of Village Health Council. The group opinion is that there are other educated people in the village who could also become BC agents.
"*Gaon ka bhala manas ho, ghar baithe kaam hoga, paisa jama ho jaayega*". (The person should be from the village, work will be done sitting at home, money could be deposited as well.)

Other options such as Self-Help Group members are perceived as being not educated enough to handle this position. Petrol pumps, mobile recharge and pharmacy shops are not seen as potential agents since they are all located far away.

The Fair Price Shop or ration shop could also become BC as the owner is viewed as being capable and trustworthy. However, the shop is open for a short duration of time and is usually crowded. "*Inke paas itna time nahin hain, thodi der ke liye kholte hain aur 5 gaon ke log yahan aate hain*". (He does not have time, opens shop for small period of time and people from five surrounding villages come to this shop.)

"*Aadmi sachaa ho aur uski pramadikta bhee honi chahiye*".
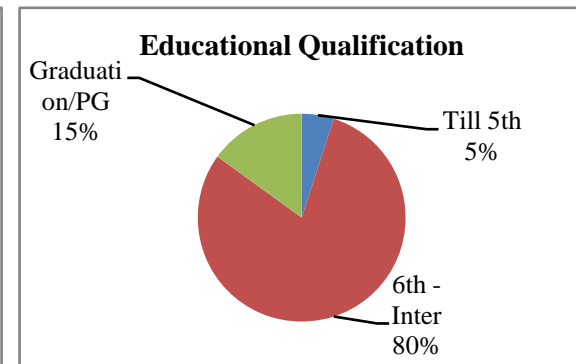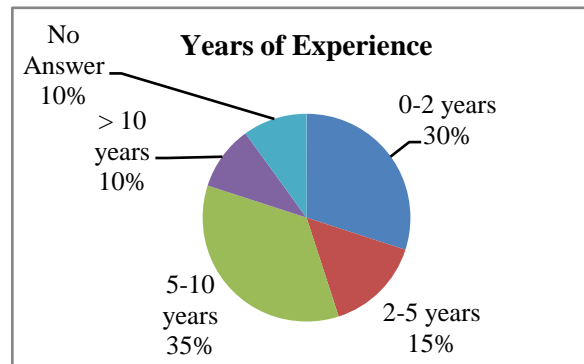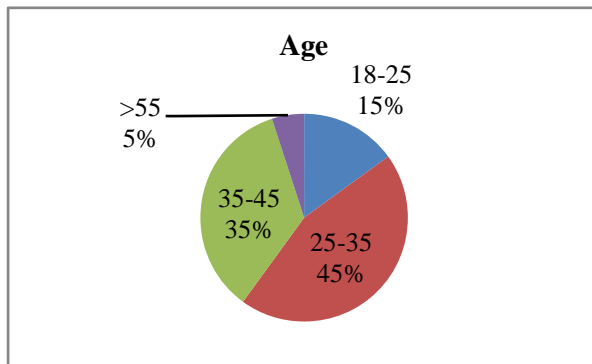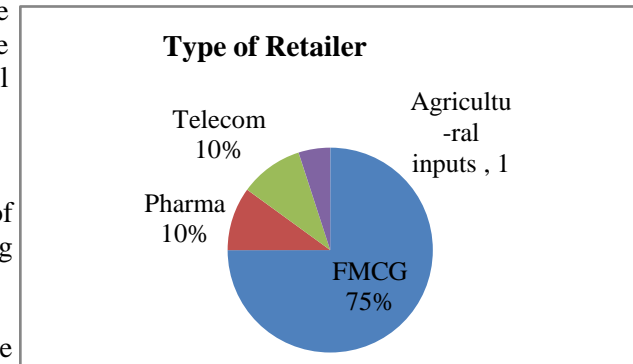(The person should be honest and certified by the bank to do this.)

POTENTIAL BC SERVICE PROVIDERS: FINDINGS FROM RETAILER INTERVIEWS

Retailer Profile

The team interviewed 20 retailer shops spread across the two districts in Gujarat. These retailers are all potential BC service providers. The goal of these interviews is to understand the BC service provider perspective. This perspective can be incorporated into the current vision of the model wherever appropriate.

A brief profile of these 20 retailers:

1. The retailers sample includes many grocery store retailers given the preponderance of grocery stores in villages since a majority of respondents expressed an interest in appointing the grocery store owner as the BC service provider.
2. Almost all 95% retailers interviewed are between 18-45 years of age.
3. Ten out of the 20 retailers interviewed, have over two years of experience; 16 of them have graduated from high school or equivalent.

Type of Retailer
- Telecom 10%
- Pharma 10%
- Agricultural inputs, 1
- FMCG 75%

Age
- 18-25 15%
- >55 5%
- 35-45 35%
- 25-35 45%

Years of Experience
- No Answer 10%
- > 10 years 10%
- 0-2 years 30%
- 5-10 years 35%
- 2-5 years 15%

Educational Qualification
- Graduation/PG 15%
- Till 5th 5%
- 6th - Inter 80%

4. Most retailers purchase stock from distributors. More than two-thirds own their retail space. Most shops are open for more than ten hours a day. Footfall at all these shops is high with 85% reporting over 50 customers every day.

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5. Daily sales and working capital investment are important indicators of how much cash is handled in the shop. Six out of 20 retailers handle between Rs.5000 to Rs.10,000. About 80% of the retailers have a working capital investment of over Rs.50,000. The c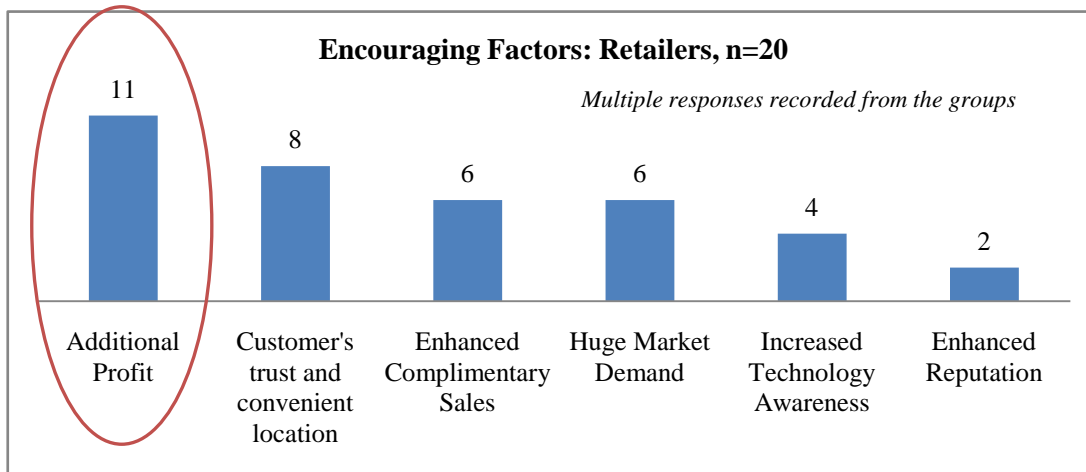aveat to this is that shop owners are often hesitant to share personal information on income and investment during an interview. To that extent, these numbers are provided as estimations of the average.
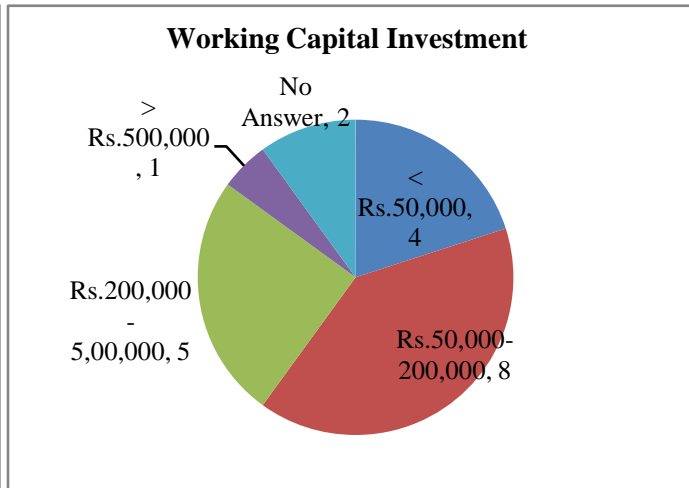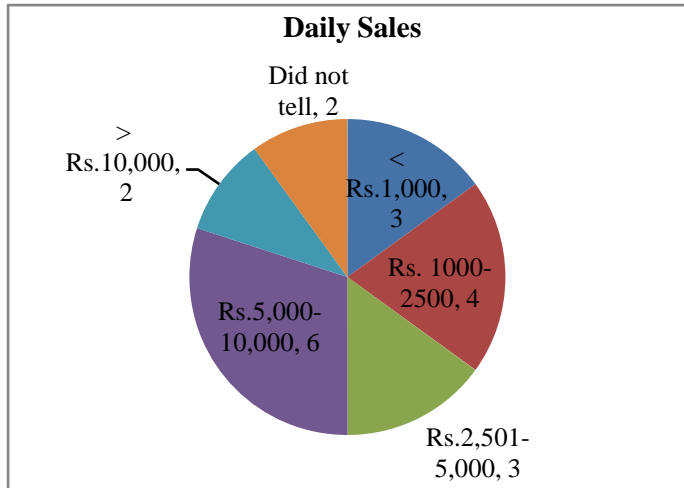
Daily Sales

- Did not tell, 2
- > Rs.10,000, 2
- Rs.5,000-10,000, 6
- < Rs.1,000, 3
- Rs. 1000-2500, 4
- Rs.2,501-5,000, 3

Working Capital Investment

- No Answer, 2
- > Rs.500,000, 1
- Rs.200,000 - 5,00,000, 5
- < Rs.50,000, 4
- Rs.50,000-200,000, 8

6. Significantly all retailers provide some credit to their clients, especially those clients whom they have known for a long period of time. This can prove to be both a positive and negative factor. On the plus side, clients are already conducting informal financial transactions to smoothen consumption with the retailer. The negative side is that extending credit to customers can create a conflict of interest to retailers once they become BC agents. Customers might owe money retailers (as retailer provides credit), while as BC agents, they will be responsible for the safekeeping of their customers' small savings.

Encouraging Factors

Additional profit: Retailers see the BC model as an additional source of profit. They feel that along with the existing set of products in their shop, this additional service will fetch more profits, without any extra investments in infrastructure. Retailers believe that the existing shop space along with staff strength, and current customer base, is a good base from which to start the BC business.

Encouraging Factors: Retailers, n=20

Multiple responses recorded from the groups

Factor	Count
Additional Profit	11
Customer's trust and convenient location	8
Enhanced Complimentary Sales	6
Huge Market Demand	6
Increased Technology Awareness	4
Enhanced Reputation	2

<u>*Customers Trust and Convenient Location*</u>: Retailers believe that their existing customers place high levels of trust in them. The typical shop location is convenient and in a market area.

<u>*Enhanced Complementary Sales*</u>: Six out of 20 retailers believe that becoming a BC will help them increase sales of existing products. When customers visit their shop to conduct a banking transaction, they may end up buying the other products which the shop sells as well. Thus, a retailer's overall sales and income will also go up.

<u>*Huge Market Demand*</u>: Retailers believe that there is huge market demand for branchless banking products. Some retailers also see the potential to offer credit and remittance services through this model.

<u>*Increased Technology Awareness*</u>: Since the awareness of technology is increasing, both retailers and customers are likely to welcome this service enthusiastically, say a section of retailers. A few years ago, since customers were unaware of technology, they may not have embraced this product as willingly.

<u>*Enhanced Reputation*</u>: Retailers feel that the association with a large public sector bank will improve their prestige and market credibility. Furthermore, the BC model is an opportunity to serve people and offer them a service which they require, namely doorstep banking services.

> *"Log hamare yaha banking karne aayenge kyon ki wo hum ko jaante hain. Unko bas receipt mil jhaye fir koi dikkat nahi hai".*
> (People will come to us for banking transactions because they know us. As long as customers receive a receipt, there will be no problem.)

Aaganwadi Workers: Customer vs. Service Provider Perspective

Every village in India is entitled to a child care centre or an *Aaganwadi*. Each *Aanganwadi* centre has an *Aanganwadi* worker and helper. Some respondents suggest appointing the *Aanganwadi* worker as a BC service provider, based on the trust reposed in her position. Therefore, to explore the possibility of leveraging the extensive *Aaganwadi* network, a few of them were interviewed. Unfortunately, these discussions reveal that they are already over-burdened. Further, they are not allowed to do any additional work during their work hours (11 AM to 3 PM). This is an instance where potential customers are ready to embrace them as BC service providers. Yet the latter is unable to take it up.
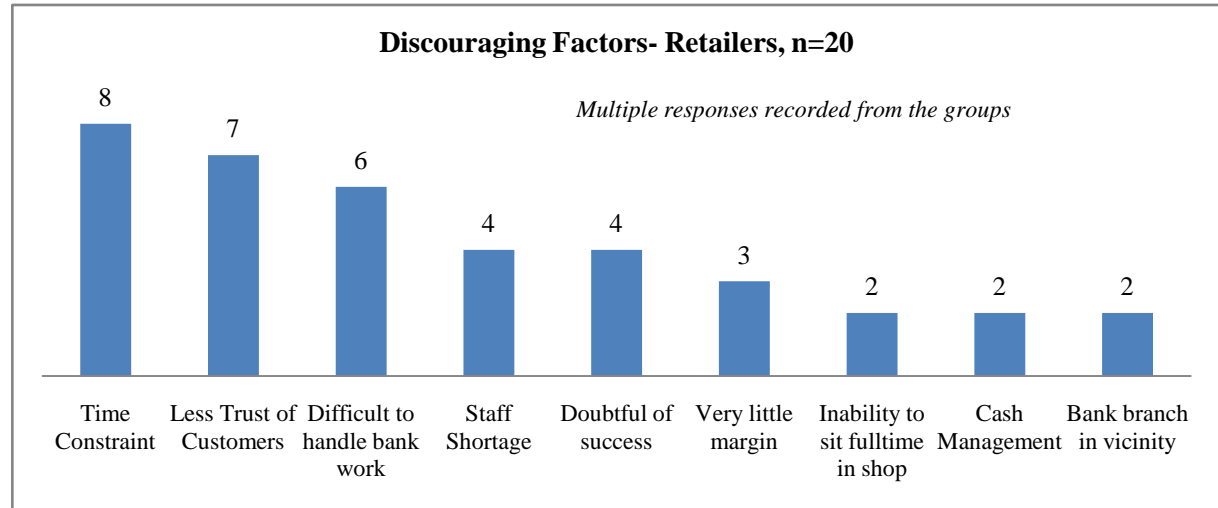
For more information, see **http://wcd.nic.in/icds.htm**.

Discouraging Factors

Time Constraint: Lack of time is a major discouraging factor cited by most retailers. Such retailers are already extremely busy with their existing businesses. As a result, they find it difficult to make time for this new line of service.

Lack of Trust: Retailers feel that while customers place a high degree of trust in them, it may be difficult to convince them to conduct a banking transaction with a retailer. This is because financial transactions are associated with banks and bank premises.

Difficult to Handle Bank Transactions: Many retailers feel that the BC business is completely different from their current work. Banking transactions involve dealing with cash, account maintenance, handling customers differently etc. Issues pertaining to technology, documentation norms of government banks, and dealing with a bank make the whole BC experience very complex.

Discouraging Factors- Retailers, n=20

Multiple responses recorded from the groups

Factor	Value
Time Constraint	8
Less Trust of Customers	7
Difficult to handle bank work	6
Staff Shortage	4
Doubtful of success	4
Very little margin	3
Inability to sit fulltime in shop	2
Cash Management	2
Bank branch in vicinity	2

Staff Shortage: Retailers say that a separate staff will be needed to implement and bring efficiency to this proposed model. Existing staff is already burdened with work and may not be able to handle bank-related work. Many of these shops are quite busy and short of staff.

On inability to handle customer requests:
"Ham subah se shaam grahak ke liye hee baithe hain, agar koi wapas chala jaay to khalega".
(We sit here for customers so we do not want customers to return without being able to complete their work.)

Retailers expressed concerns that given the relative novelty of the model, it may fail to be successful. Low margins, inability to devote time to the BC service, cash management challenges and presence of existing bank branches in the vicinity are the other key discouraging factors cited.
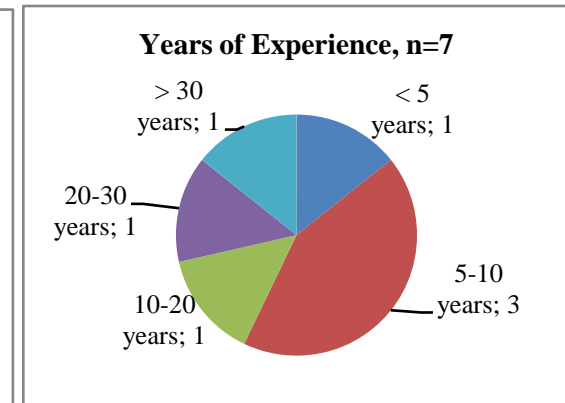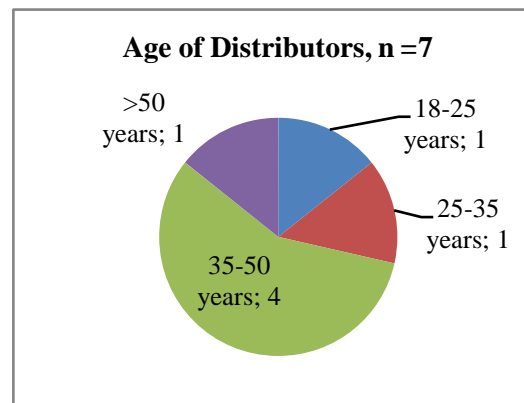
POTENTIAL SUPER AGENTS: FINDINGS FROM DISTRIBUTOR INTERVIEWS

Distributor Profile

In order to gauge distributors' views on participating in the BC model, eight[14] distributors of pharmaceutical, telecommunication, and *kirana* stores from Kutch and Ahmedabad, were interviewed. The distributor is an important link between producers and retailers. Seventy-five percent of all retailers replenish the stock in their store through a distributor. Distributors will have an important role to play as one of the links in the agent network.

A brief profile of the distributors follows:
1. Most of them are located in commercial areas.
2. Almost all the distributors have had some college education.
3. Six out of eight distributors have less than ten people working in the office.
4. The margin of business for mobile recharge distributors is less than 2%. For grocery stores and medical shop distributors, the margin is between 5% and 10%.

Age of Distributors, n =7
>50 years; 1
18-25 years; 1
25-35 years; 1
35-50 years; 4

Years of Experience, n=7
> 30 years; 1
< 5 years; 1
20-30 years; 1
10-20 years; 1
5-10 years; 3

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[14]In the graphs that follow, n=8 shows that the respondents and thus number of session is 8. The distributor interview is an individual interview.
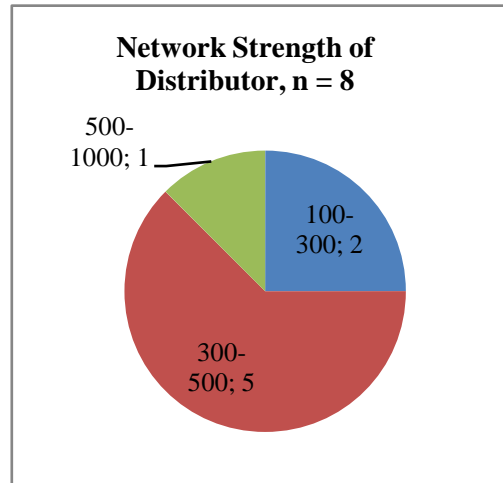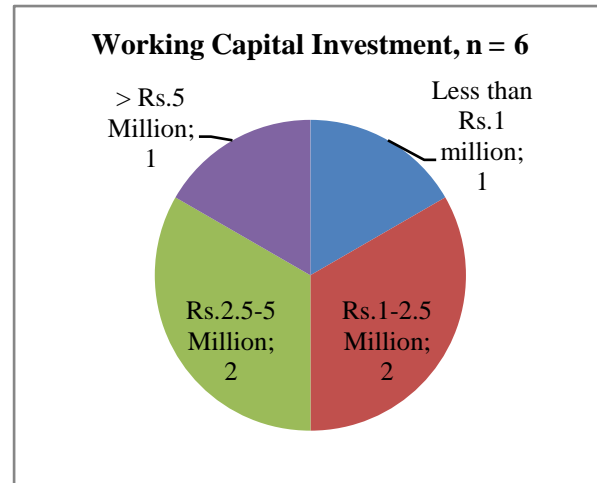
5. Four distributors sell products to retailers in cash only. Telecom distributors do not extend any credit to their retailers at all.
6. Three distributors sell products in cash and credit.
7. A single distributor states that the retailers of his network sell products of only one industry (e.g. a pharmacy shop selling only medicine and medical supplies); four distributors say that the retailers sell products of more than one industry (e.g. a *kirana* shop selling medical and other cosmetic items).
8. Three distributors state that they interact with their channel retailers via phone and further, that their staff visits retailers on weekly or daily basis as per their schedule. Two distributors from the pharmaceutical and FMCG sector interact with a section of retailers on a monthly basis since their retailers are located far from the distributor location. Telecom distributors are in touch with their retailers on a daily or weekly basis. A geographic contrast is that all distributors in Kutch mention interacting with local retailers on a daily basis. In Ahmedabad, the distributor or his staff visits each of their retailers at least on a weekly basis.
9. Five distributors sell products on credit. The repayment period is typically between 10 to 15 days.
10. As the charts above show, majority of distributors in the sample are connected to 300 to 500 retailers. Thus, making it easier for the bank or the BC to link up with distributors rather than individual retailers.

Encouraging Factors

The graph below represents some of the factors which distributors find encouraging and appealing about the BC model.

Additional Profit: Distributors aver that the most attractive factor about the BC business is the expectation of profit. All distributors in the study wanted banks to take the first step in determining the margin. They believe that as long as retailers were earning a decent income from this business, he would want to be involved in it. Any compensation for the business would need to take into consideration the amount of time spent on the business, technology being used, and the investment required from distributors and retailers.
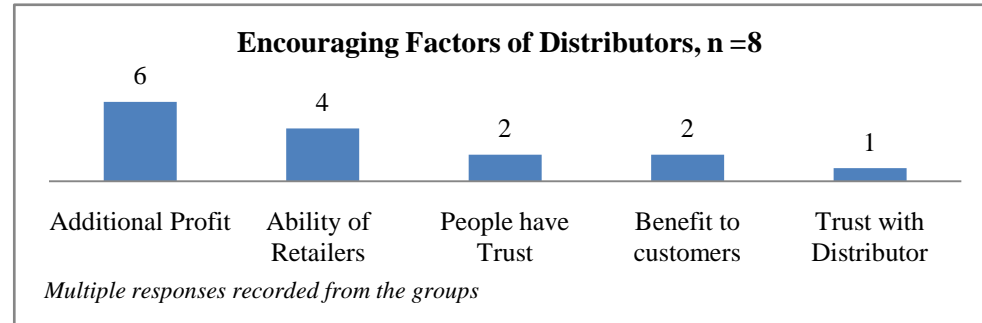
> *"Vyapari logon ko do paise milenge to sab kaam kar lenge: medical store wale waise bhee photocopy aur recharge karte hain".*
> (Businessman can do anything if he earns money out of it: pharmacy store owners already do photocopy and mobile recharge.)

Encouraging Factors of Distributors, n =8

Additional Profit	Ability of Retailers	People have Trust	Benefit to customers	Trust with Distributor
6	4	2	2	1

Multiple responses recorded from the groups

Customer Trust: Medical shops and grocers both state that their customers have a great deal of faith in them. The distributors for medical shops believe that since customers buy medicine from the medical store, they have faith in the entire channel. Similarly *kirana* shops and shops selling FMCG products also enjoy high trust relationship with their customers since these retailers live and work in the same village, and are well-known by their customers.

Ability of Retailer: All distributors are in agreement that their retailers will be able to do the actual work of a BC. Each channel provides the advantage inherent in retailers associated with that channel. The medical shop distributor opines that his retailers are all educated. Further, medical stores have space in the shop for doing BC work. The mobile recharge distributor believes that since branchless banking is often routed through mobile phones, his retailers are best suited to provide the service. The FMCG distributor believes that retailers in their network are very hard-working and they will be able to become BC agent.

Benefit to Customer: Two among eight distributors think that the access to bank in un-banked areas will benefit the customers. They say that current banking systems are

> *"Gaon mein log use jaante hian, har gaon mein unki pahunch hai..abhi parlejee ko sabhi 900 gam wale jaante hain, itna har jegah to nahin milega".*
> (Everyone in the community knows him [*kirana* store owner] and he is known in every village. Now Parle G [a biscuit brand] is known in 900 villages. It is rare to find such recognition in other areas.)
>
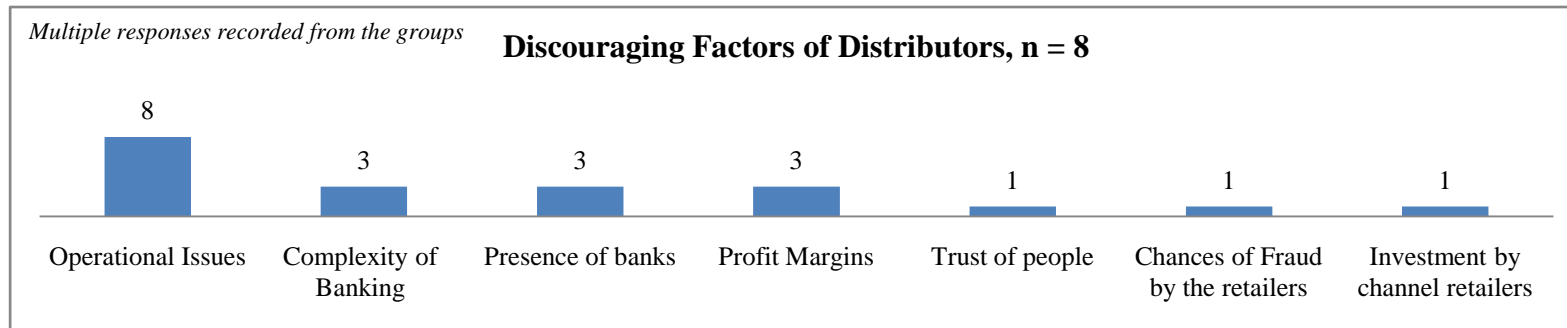> *"Trust to gaon ke kirane wale par hee hota hai compared to bahar wala banker".*
> (When compared with banker from outside the village, people in village will trust grocery store retailer.)

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complex and low income households are often unable to participate in these systems. The BC model overcomes these barriers and retailers want to be part of the solution.

Trust with the Distributor: Some distributors state that retailers trust them and as a result, they would be willing to take up this business due to the distributor's involvement.

Discouraging Factors
The table below presents some discouraging factors. These factors lower the interest of retailers and distributors in becoming agents and super agents for BCs.

Multiple responses recorded from the groups

Discouraging Factors of Distributors, n = 8

Operational Issues	Complexity of Banking	Presence of banks	Profit Margins	Trust of people	Chances of Fraud by the retailers	Investment by channel retailers
8	3	3	3	1	1	1

Operational Issues: These issues reflect:
1. Ability of retailers to take on the responsibilities of a BC agent, given the level of education prevalent among retailers and their comfort level with technology.
2. Staff shortage and inability of staff to undertake BC work due to lack of knowledge and training.
3. Lack of time, especially for *kirana* stores.
4. Fear of over-crowding at the retailer's shop as a result of additional product offering.

Complexity of Banking: Distributors believe that banking is complex. They envision responsibilities such as filling out of forms and account balance reconciliation, which they do not feel retailers will be able to handle. Additionally, they fear that a large proportion of their customers may not have enough banking exposure to understand and appreciate this product offering.

"Agar 10 lakh lagaye aur 5-6 hazaar bhee nahin kama paaye to kya fayda. investment par kam se kam 2.5% to return honachahiye".
(If there is Rs.1,000,000 investment and I am not able to earn Rs.5,000 to Rs.6,000 then there is no benefit, there should at least be 2.5% of return on investment.)

Presence of Banks: Rural Gujarat has plenty of banks. With this extensive presence, customers always have the option of going to a bank, rather than using a BC agent to access accounts.

Profit Margin: The margin for this product must match efforts. If they do not earn enough, retailers will get discouraged and leave the business.

Trust of People: As with retailers, distributors also believe that customers have faith in the retailers. However, since customers associate banking transactions with banks, they may not trust retailers enough to conduct banking transactions outside the premises of a bank.

> *"Kutch district to aisahai kee 10-15 percent village mein bank nahin hoga – Dena aur Dena Grameen Bank sari jegah hai".*
> (This district is such that only 15% of the villages will not have a bank branch else Dena Bank are everywhere.)

Chances of Fraud by Retailer: Distributors bring up the potential for fraud in the BC business. Since this involves cash, there is a chance that some retailer might try to swindle customers out of their money.

Investment by Channel Partners: Distributors believe that if a high up-front investment is required either from them or from their distributors, then fewer retailers and distributors will join the business. Some retailers are used to bigger up-front investments such as mobile airtime recharge retailers or small computer shop operators. However, *kirana* stores and retailers in FMCG typically do not make big up-front investments.

SWOT ANALYSIS OF VARIOUS CHANNELS

This section presents SWOT analysis of the three major distribution networks, FMCG, telecom and pharmaceutical. These channels were identified by the respondents, as potential channels for becoming agents under the BC model.[15]

SWOT Analysis for Consumer Products Channel

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 checks, 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.

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[15] 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.

SWOT Analysis for Telecom Channel

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.

SWOT Analysis for Pharmaceutical Channel

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

CONCLUSION

Potential customers express a desire for an honest, well-educated BC service provider who is able to provide them with high quality customer service. This is clear from the attribute ranking exercise where the top three attributes were honesty, education and behaviour. In terms of existing options, most respondents tended to name the following retailers/individuals as being well-placed to provide this service: *kirana* store owners, dairy *sahayaks* or coordinators, school teachers and pharmaceutical shops.

For retailers and their distributors, this business is attractive for the following reasons:
1. Source of additional income
2. Convenience of store location and existing trust enjoyed by store
3. Enhanced demand due to higher footfall
4. Capability of retailer network to provide BC services

However, there are perceived challenges as well. The most significant of these are:
1. Additional burden due to increased workload
2. Specialised nature of banking transactions
3. Distrust on the part of customers to do bank transactions in non-bank premises

The proposed BC agent network model leverages retail channels as modes for delivery BC services. Appointing the mobile recharge retailer as a BC agent could potentially prove to be quite successful. It is important to find retail channels where both customer needs and retailer incentives are aligned. While certain channels work well for retailers, they may not necessarily work for customers or for distributors. While the community is very comfortable with the idea of their local *kirana* store owner handling their financial transactions, the *kirana* distributor believes that his retailer can often be linked to several distributors at the same time, thus making the link with the bank through one distributor tenuous.

Finding a channel that works for everyone is difficult. As a result, innovative ways to optimise a channel's attractiveness to the customer and the BC agent need to be found. For example, a big concern about using mobile recharge retailers as a BC agent is that the retailer may not have time for his customers. Thus, this channel will need to learn to deal with this problem. Alternatively, one may choose to highlight other qualities of the mobile recharge shop which may overcome a customer's initial hesitance in dealing with this channel, such as the retailer's familiarity with technology and the customers.

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The BC model needs to find ways to ensure that excluded communities do not stay excluded, for example: women and landless labourers. Communities are aware of the danger than this could happen as they say that someone too wealthy and with too much local power should not become BC agent because he will not be able or interested to serve their needs. Similarly, involving solely petrol pumps in one area would reduce the accessibility of this service to the women.

Finally, low-income banking is also relationship banking, as has been proved by various other community-level finance programmes. Both potential customers and potential BC service providers stress the importance of trust and understanding between customers and the BC service provider in order for this model to work. Thus, to ensure success, banks must work closely with the BC service provider in order to brand his service and provide the name of the bank and the trust, which comes with that to the BC service provider.

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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 the bank service	
▪ What is the frequency of visit to 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 thought up on by the RBI. In this service, a place/person will be given banking license by a Bank. The bank will, thus authorise the place/person to conduct banking operations from the 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 ▪ Probe for the list of RBI, lest introduce those: Fair price Shops,

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	Chemist, PCO, Grocery, Petrol Pumps, Telecom Shops, Retired Bankers, Government Employees, Teacher/Army Personnel, SHG, Financial Service Agents
3. What factors make feel comfortable using the potential BC agent?	▪ Probe for each service point category ▪ (remember this is proxy for RPR)
4. What factors make you feel uncomfortable using the 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 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 – <u>Property, Domicile, Education, Honesty, Behaviour, Service Time, Accessibility, and Proximity. In addition if there are any other attributes from the group, please include that as well.</u>
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 somewhere to place 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 the 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 %age 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 visit 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		

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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 %age of sales is credit?		
How much credit time period you give to retailers.		

Annexure 4: Attribute Definitions

Honesty refers to the personal attribute of any individual to refrain from committing misconduct or fraud when such an opportunity arises. In all the discussions with respondents 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 result into 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 processes.

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 majority groups availability came out as an important attribute of shops they like. Whenever introduced to the groups as attribute availability was explained as number of hours 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 favoured to spend less time in 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 few respondents exhibited their propensity to visit shops with better infrastructure for their work.