

Cost and Willingness to Pay in Tamil Nadu

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EXECUTIVE SUMMARY

Since late 2009, the Reserve Bank of India (RBI) has allowed the banks and other financial institutions to charge customers “reasonable” fees to help defray costs and provide greater incentives for the business correspondent (BC) model. This may help motivate business correspondents, but how do the customers themselves feel about such extra charges? In this study, *MicroSave* examines whether or not customers are willing to pay for the convenience business correspondent services offer: if yes, how much; if no, why not? The study also outlines the costs, direct and indirect, customers currently incur using bank branches.

Research methods for this study included focus group discussions and mapping tools for cost and willingness to pay. The *MicroSave* team conducted the field work with 307 respondents during January 2011 in three districts in Tamil Nadu and one district in Puducherry. Of this sample, 86% of the have a bank account and the remaining respondents are regularly involved in bank branch transactions with spouse or family.

Summary of findings:

- Banking is time-consuming and expensive for most respondents. Travel time to and from branches can be lengthy for those living in remote areas, but the more serious complaints concern long queues, literacy barriers and unhelpful bank staff at the branch. Direct costs of bank visits range from Rs.10-50. Indirect costs—lost wages, leaving shops or household work unattended—can be as high as Rs.200.
- For those respondents living more than five kilometres from bank branches, the business correspondent concept has strong appeal. Reasons include speed and convenience of on-site or nearby village transactions, the opportunity to save more, and easier access to their money in emergencies.
- Trust and confidence in BCs are a prime concern and respondents expect active bank involvement and monitoring at the outset.
- Most are willing to pay on a per-transaction basis and also for account opening—although a significant minority reject fees for new accounts. All are price sensitive and all will need regular reminders of the benefits of the BC model for fees to be acceptable.

For more detailed explanation on all the above, please see relevant sections in this report.

BACKGROUND & INTRODUCTION TO STUDY

India's rural population, roughly two-thirds of the country, remains underserved in terms of savings, loans, money transfer and other banking services. Almost three-quarters of India's 89 million farming households have no access to credit¹ and only 39% in rural areas have bank accounts. Greater financial inclusion for these people is important for the overall growth of the Indian economy and is an ongoing priority for the Indian government and the Reserve Bank of India.

To help address limited branch networks in rural areas, and the high cost of travel to and from these branches for very small transactions, RBI introduced new guidelines in 2006 to encourage rural savings via bank intermediaries. These intermediaries or Business Correspondents (BCs) serve as bank representatives and carry out transactions on the banks' behalf in villages and other inaccessible areas.² More recently, the RBI has 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 efforts.³

Of 50 public sector and commercial banks, 27 have implemented BC or "agent" model and some 14 million new accounts have been opened, many with the assistance of technology service providers.⁴ This is a useful beginning, but adoption of the model has been disappointing and the overall viability of the BC model is currently under review. Challenges include:

- Customer retention and development after account opening/initial transactions.
- High costs, low revenues. BC operations (see below), plus agents' commissions vs. modest or non-existent revenues.

- Lack of bank support for group promotion costs and capacity building (except the Self Help Group (SHG) bank linkage model).
- BC operating costs (interest paid to banks for cash advances, insurance and security for cash-in-transit, long-distance transport, and other work expenses not assumed and/or inadequately compensated for by banks).
- Inflexible and unrealistic end-of-day or even next-day cash-settlement demands for some BCs in certain remote rural areas.
- BC drop-out rates due to high costs, low business volume and disappointing returns.
- Subsequent bank difficulties finding suitable or interested replacements.

BC compensation and coverage of expenses have particularly high priority on this list because without a strong and energetic network of agents, there is no BC model. To help defray BCs' high costs and to encourage greater bank participation, RBI has recommended "reasonable service charges from the customer" levied in a "transparent manner".⁵

This is a welcome recommendation, for banks and BCs at least, but the difficult questions remain unanswered: how much is a "reasonable" charge for BC services—and are customers willing to pay it? In order to find out, *MicroSave* commissioned a study of rural customers with savings accounts to discuss these questions and related banking issues. "Costs and Willingness to Pay" is a first step toward understanding workable fee structures, customer concerns that banks and BCs will need to address, and the time necessary to implement these changes.

¹ [Ananth, Bindu and Asha Krishnakumar, "Deepening Financial Access in India - A Blue Print for Commercial Banks Using Business Correspondents and Business Facilitators", IFMR Finance Foundation, February 2010](#)

² http://www.rbi.org.in/scripts/BS_SpeechesView.aspx?Id=342

³ <http://rbidocs.rbi.org.in/rdocs/notification/PDFs/CPC28092010.pdf>,

(DBOD.No.BL.BC.43 /22.01.009/2010-11)

⁴ ["Report of the working group to review the business correspondent model", Reserve Bank of India, August 2009](#)

⁵ [RBI/2009-10/238, DBOD.No.BL.BC. 63 /22.01.009/2009-10 November 30, 2009](#)

Introduction

The BC cost-revenue model has not proved sufficiently attractive for either banks or business correspondents so far. The cost of acquiring new customers, servicing existing customers, remunerating agents, and covering BC operating expenses in remote rural areas is too high; rewards are too low. Small fees for customers using BC services are a part of RBI's proposed solution to this problem. Kenya has reportedly imposed fees on certain savings account activity with success (Dupas et al 2009),⁶ as have other pilot projects for the rural poor in Bangladesh, Serbia, and elsewhere. This does not assure acceptance and adoption in India, but a useful reminder that other countries are experiencing the same problems and experimenting with similar solutions.

MicroSave chose Tamil Nadu and savings accounts as the focus for the third and final phase of "Cost and Willingness to Pay" study. The report assesses the current costs savings account holders pay to transact at bank branches, and their willingness, or disinclination, to pay for a secure and convenient service closer to home. The findings can be a starting point for banks and others involved in rural policy to develop more informed cost and delivery structures for low-income households.

Area Profile

Tamil Nadu State is located in the south eastern side of Indian peninsula with Kanyakumari as the southernmost tip of the land. Arabian Sea and the states of Kerala and Karnataka form the boundary in the west. The state is bounded in the north by the states of Karnataka and Andhra Pradesh. Tamil Nadu (T.N.) is the eleventh largest state in India, covering an area of 130,058 sq km with 32 districts and 15,329 villages.

The Union Territory of Puducherry comprises of four scattered coastal enclaves- Pondicherry now called as Puducherry, Karaikal, Yanam and Mahe.

The research was conducted in Tiruchirappalli, Chennai, Salem and Puducherry districts. Please see brief profiles⁷ below.

- A. **Tiruchirappalli:** Tiruchirappalli, situated on the banks of the river Cauvery is the fourth largest city in Tamil Nadu.

District at a Glance	
Population	2,418,366
Literacy	69.20%
Blocks	14
Nationalized bank branches	194
Cooperative Banks branches	142

- B. **Chennai:** Chennai is the capital city of Tamil Nadu. It is situated on the north-east end of Tamil Nadu on the coast of Bay of Bengal

District at a Glance	
Population	4,343,645
Literacy	76.81%
Blocks	1
Nationalized bank branches	860
Cooperative Banks branches	65

- C. **Salem:** Salem is a mineral rich district in Tamil Nadu. It is also known for its steel plant. Salem located in the north central part of Tamil Nadu.

District at a Glance	
Population	3,016,346
Literacy	57.50%
Blocks	20
Nationalized bank branches	149
Regional Rural Banks branches	6
Cooperative Banks branches	211

⁷ Source of all the tables are <http://www.rbi.org.in/scripts/PublicationsView.aspx?id=12670>, <http://www.salem.tn.nic.in/>, <http://www.pon.nic.in/>, <http://www.trichy.tn.nic.in/>, <http://www.chennai.tn.nic.in/>, and http://www.tn.gov.in/govt_aboutTN.html

⁶ [Pascaline Dupas, Jonathan Robinson, "Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya" March 2009](#)

D. **Puducherry:** The capital city of this union territory is Puducherry. It covers a total land area of 492 square kilometres.

The research covered 45 locations varying from rural, semi-urban and urban areas in these districts with the help of three MFIs:

1. BWDA-BFI (<http://bwda.org.in/>) who provided assistance in the districts of Puducherry and Chennai.
2. CST (<http://www.cstsalem.org/>) who provided assistance in Salem district.
3. Guardian (<http://www.guardianmfi.org/>) who provided assistance in Trichy district.

District at a Glance	
Population	735,004
Literacy	81.49%
Blocks	1
Nationalized bank branches	68
Regional Rural Banks branches	16
Cooperative Banks branches	25

MARKET RESEARCH PROCESS

This section presents research objectives, sampling process, sample and definition of terms used in the report.

Research Objectives

- Determine banking costs, direct and indirect, currently incurred by households and individuals, particularly those who live more than five kilometres from branches.
- Determine time commitments, best and worst cases, for branch visits.
- Assess respondents' willingness to pay for BC services and correlate costs, distance, and time allocations.⁸
- Understand their current banking behaviour (deposits vs. withdrawals, size and frequency of transactions) and how BC services might help extend their banking relationship.
- Outline the qualities and qualifications respondents expect from business correspondents.

Research Method

The *MicroSave* research team conducted 45 group interactions in various rural, semi-urban and urban locations of Tamil Nadu and Puducherry. The team used the following tools for data collection:

1. **Focus Group Discussions:** Since the BC model and willingness to pay for BC services depends largely on a village's collective acceptance or rejection—group discussions are particularly helpful in gauging overall attitudes, concerns, and indicators of future behaviour. Please see [Annexure 1](#).
2. **Cost Mapping:** The numerous activities involved in a transaction process—described by both groups and individuals—are listed in detail to better understand all the costs. Please see [Annexure 2](#).
3. **Willingness to Pay:** This tool helps arrive at the maximum price individuals or groups might be willing to pay for BC services. Please see [Annexure 3](#).

Tool	Number of Group sessions	Respondents Covered
Focus Group Discussion and Willingness to pay	25	173
Cost Mapping and Willingness to Pay	20	134
Total	45	307

Market Research Process

Preparation for the research: 10-14 January, 2011

- Tailoring of research guides.
- Coordination and planning with field partners.

Market Research: 17-28 January, 2011

- Participatory Group Discussions with members of the SHGs, NREGA workers and common public from the BoP segment.

Analysis and Consolidation

Consolidation and analysis of data 31 January – 4th February, 2011.

⁸ The services are defined as convenient services. Please refer to [Annexure 5](#): BC Model.

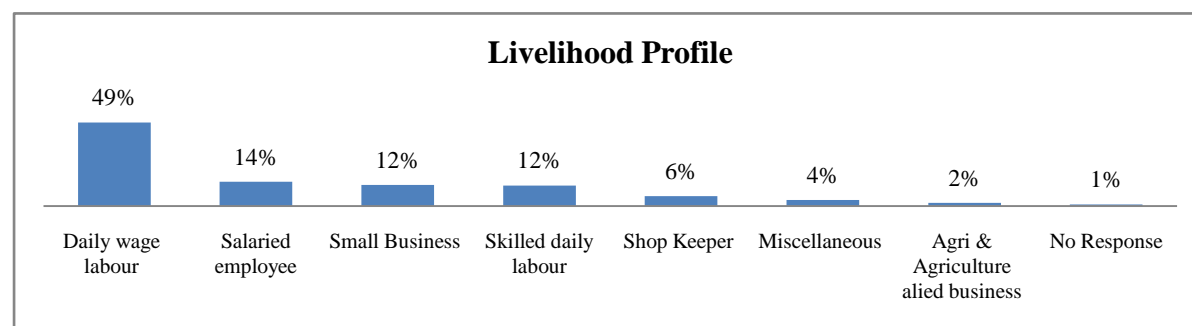
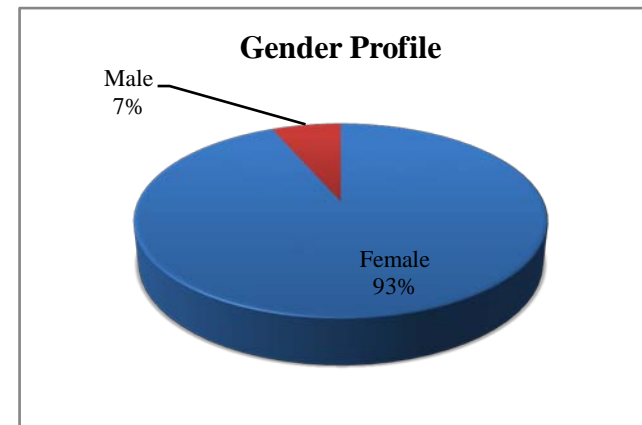
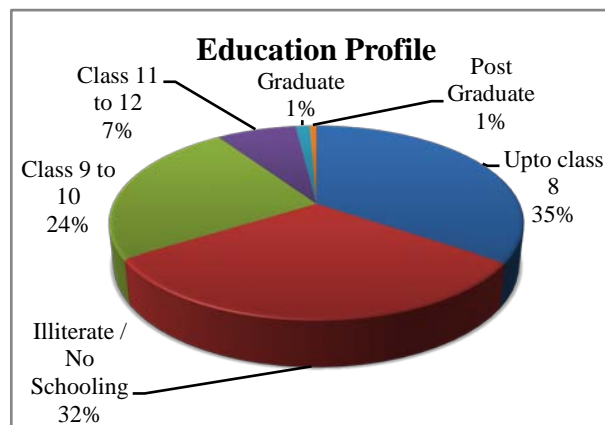
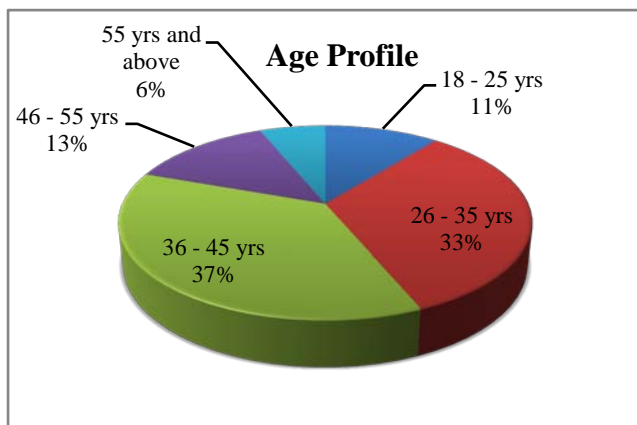
Sampling

The team used random purposive sampling of locations and service providers to reach bank clients. (Purposive sampling is necessary when there are a limited number of qualified respondents in an area). The team conducted interviews and group discussions with members of the Self Help Groups (SHGs), National Rural Employment Guarantee Act (NREGA) workers and common public from the bottom of pyramid (BoP) segment who reside at varying distances from their branches.



PROFILE OF THE RESPONDENTS

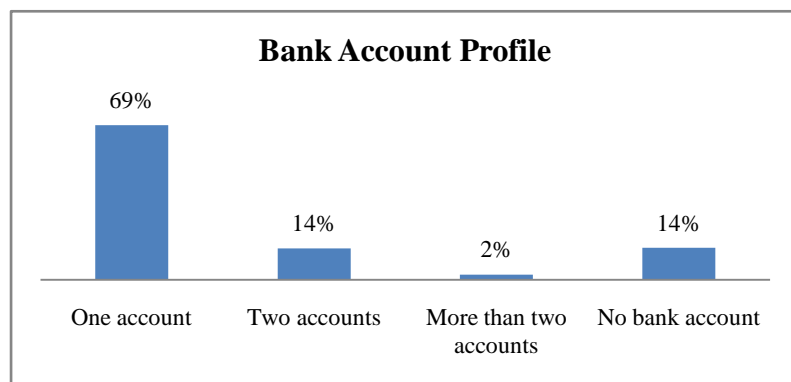
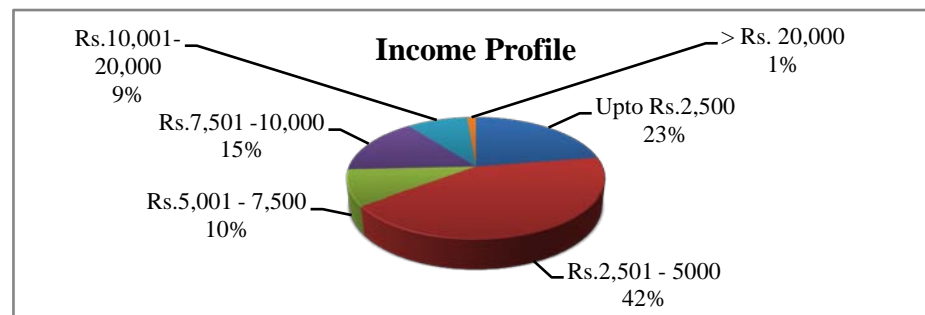
Seventy percent of the respondents are aged between 26 - 45 years, and are largely women (93 %). The respondents majorly use banks for regular saving needs, loan transactions and for NREGA transactions. Respondents also use banks for remittances, receiving other government benefits, salary transactions, cheque clearance, fixed and recurring deposits. 35% of the respondents have elementary or primary education, 24% have high school education and seven percent have higher secondary education. Graduates and post graduates formed a very small part of the sample(1% each). 32 % of the respondents are illiterate.



Twelve percent of the respondents are skilled labourers like masons, painters, weavers and gem workers etc., while 49% are agri labourers, NREGA workers and construction workers. Twelve percent of the respondents own small businesses (hotels, pickle business, textile shop, mineral water dealership, flour making, pappad [flat rice bread] making) and 6% are shop keepers (grocery store, fancy store, stationery store, flower shop, fish shop, tailoring shop, small textile shop). Fourteen percent are salaried employees, both government and private. Four percent of the respondents are involved in agriculture and allied activities, including dairy and animal rearing.

private non salaried employees like contractors, agents, social workers, political party activists and pensioners. Two percent of the respondents are involved in agriculture and allied activities, including dairy and animal rearing.

Twenty three percent respondents earn up to Rs.2,500 per month and 42% earn between “Rs.2,500-5,000”. The respondents who fell under the lower income groups were largely daily wage labourers, while those with higher incomes tend to be skilled labourers or small business owners. Ten percent earn “Rs.5,001-7,500”, 15% earn “Rs.7,500-10,000”, and 9% of the respondents who earn “Rs.10,000-20,000”, are mostly salaried workers, shop keepers or bussiness owners. Only 1% of the respondents earn more than Rs 20,000 and they are mostly contractors, agents or have well established micro enterprises.

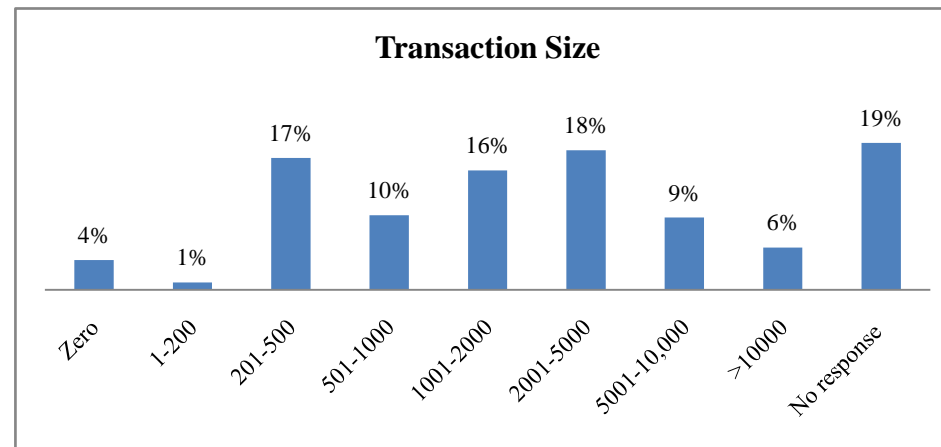
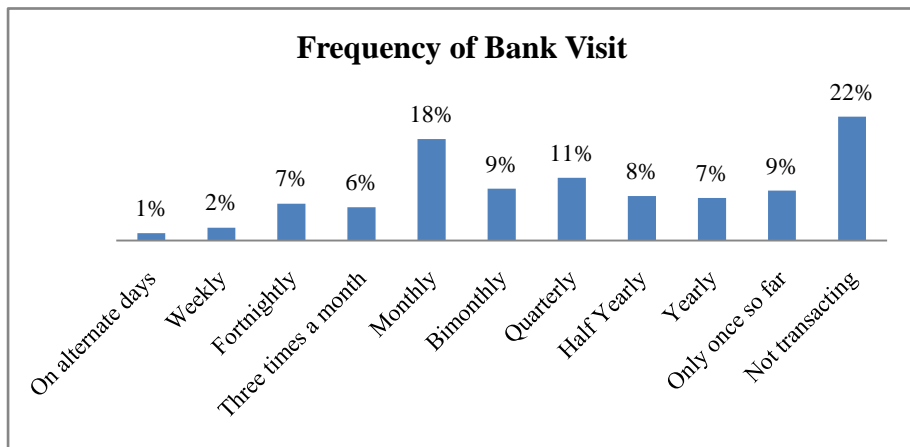
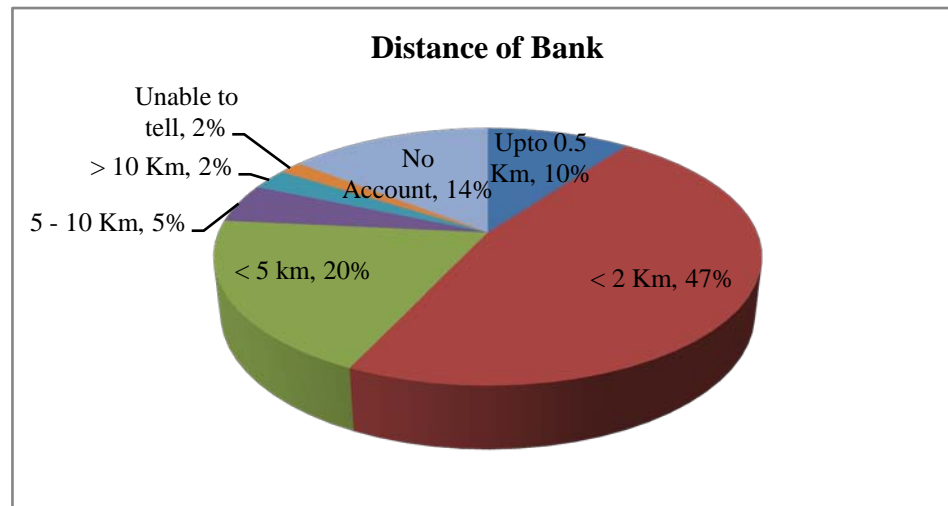


Sixty nine percent of respondents have only one account, 14% have two savings accounts and 2% of the respondents have more than two accounts. However, 14% of the respondents do not have bank accounts. Transactions of 18% of the respondents, mainly businessmen, salaried, shop keepers and agriculturists range from “Rs.2,001-5,000”, 9% range from “Rs.5,001-10,000” and 6% above Rs.10,000. These are transactions they either as they deposit their earnings, or make as loan transactions, have salary reciepts or deposit lumpsum amounts. Forty three percent of the respondents’ transactions, (predominantly wage labourers and other low income earners) range from “Rs.201-2,000”. This category also includes respondents who have transacted only once and made an initial minimum required deposit which ranges between “Rs.250-1,000”. One percent of the respondents who have a habit of saving in small denominations have a transaction size of “Rs.1-200”. The transaction size of 19% of the account holders is not known, because they are not aware of transaction details as the account

is operated by someone else in the family, or they do not want to disclose transaction related information, or because they are not account holders.

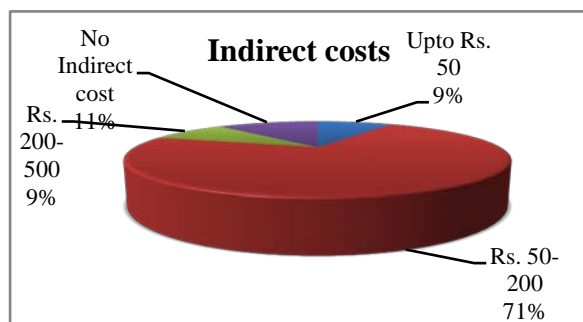
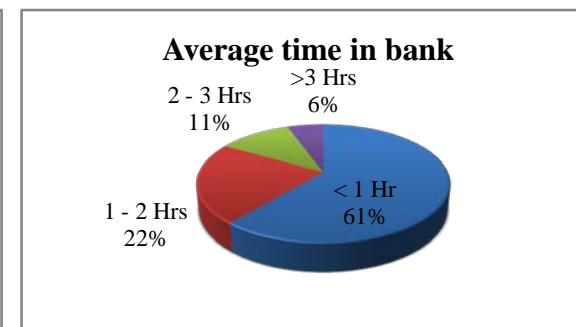
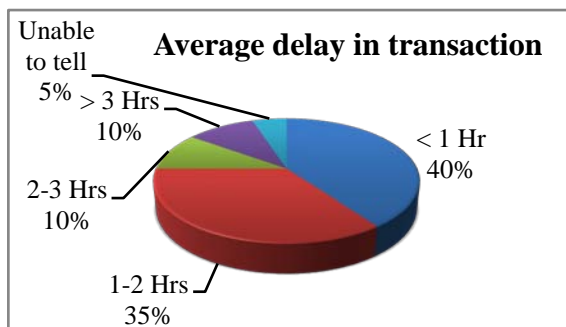
The pie chart represents the distance of banks from the locations covered in the research in three districts of Tamil Nadu and one district in Pondicherry. The chart has been drawn from focus group discussions and personal interviews with target respondents. Almost half of the respondents have bank accounts in branches located less than two kilometres from their village. Approximately one fifth have bank accounts in banks less than five kilometres away.

A large number of the respondents (18%) transact monthly (these are typically salaried), whereas 9% transact bimonthly and 11% transact quarterly. Twenty two percent of the respondents are not transacting either have no bank accounts or are not aware of the frequency of transactions. More frequent transactors are businessmen and shop keepers who transact on alternate days (1%), weekly (2%), fortnightly(7%) or at least three times a month (16%). Nine percent of the respondents made only one deposit for opening the account. These respondents opened the bank account primarily to be eligible for NREGA. Half yearly and yearly transactions are done by 8% and 7% of the respondents respectively, and are mainly loan repayments (jewel loan, agri loan etc.).



BARRIERS/CHALLENGES TO SAVINGS ACCOUNT ACCESS

a. Delay: The respondents mentioned that the delays are primarily due to crowds at the branches. The respondents opined that a typical bank branch is catering to more customers than what it is capable of servicing and all kind of transactions, including pension, provident fund (PF), other government benefits, NREGA, SHG transactions etc. are maintained in same the branch resulting in crowds at the bank. The bank is very crowded especially in the first half of the month. At these times, some respondents spend at least half a day in the bank to finish a transaction. Some other reasons for delay mentioned are staff shortage, staff lethargy, illiteracy barrier, technical issues like system failure, erratic power supply etc.



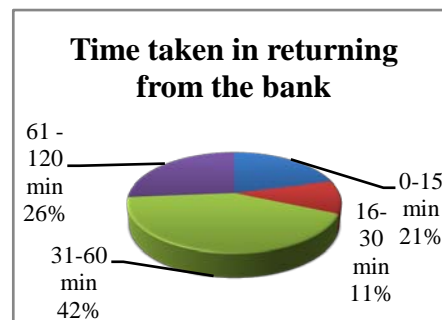
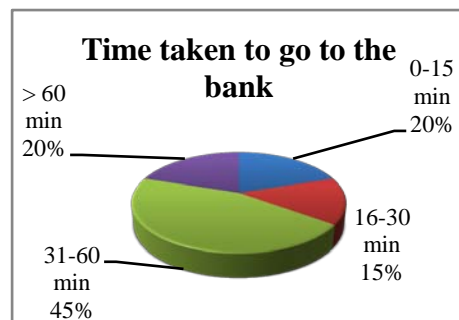
b. Indirect cost: The second most important barrier is the opportunity costs and time loss incurred by the respondents, as most of them have to skip work to transact in banks. Seventy one percent of the respondents complained of indirect costs incurred by way of wage loss ranging from Rs.50-200 depending on the type of labour. The businessmen and shop keepers also incur losses as they have to shut down shop and leave their business unattended when they go to the bank. Respondents involved in dairy business are unable to graze their cattle as a result of which the output of milk falls. Salaried

people typically lose a day’s salary if they have to go to the bank.

c. Documentation: The third major impediment mentioned was the level of documentation required at the banks. Many clients who are illiterate have difficulties in filling up the transaction slips and sometimes even the educated need some assistance. The illiterate respondents have to wait till they get somebody’s assistance to fill the forms. Many respondents have to depend on others to go to the bank because of the documentation and lack of help with documentation at the bank.



d. Time Wasted in Travel: The bank is located at a distance of approximately two kilometres for 57% of respondents and more than 2 kilometres for 27% of the respondents. Hence respondents waste a lot of time in travel. Many respondents mentioned that connectivity to the bank is poor due to lack of proper transport. In cases where transport is available the service is quite erratic and clients have to wait for a long time. Some respondents prefer to go by walk or cycle as they do not want to incur travel expenses and/or spend time in travel. The time taken by respondents in going to the bank in 45% of the sessions is 31 – 60 minutes and coming back from the bank in around 42% of the sessions is 31-60 minutes if there is no delay. Hence respondents find the time wasted in travel as a major constraint.



e. Lack of Customer Support: The majority of the respondents either are uneducated or have only elementary education and hence need assistance in the bank regarding procedures and documentation. Many respondents hesitate to go to the bank because there is a lack of assistance.

f. Unpleasant Staff Behaviour: The branch staff behaviour is an issue of major concern among clients. Respondents mention that bank staff is often rude and unresponsive. The respondents mentioned that sometimes bank staff takes frequent tea breaks and tend to personal work instead of attending to customers. The respondents feel that they are not treated with respect. “Adikiramathiri pesuranga” – “They speak like they are going to beat us”. It was also mentioned that bank staff sometimes come late to the bank.

g. Direct Cost: The respondents incur expenses in the form of travel costs, refreshment costs and other impulse purchases (shopping for kids and family) when they go to the bank. In many situations there is poor connectivity and respondents are forced to take an auto rickshaw, which is relatively more expensive than a bus, to reach the bank. In 24% percent of sessions the respondents complained that they incur more than Rs.50 and in 38% of sessions they incur “Rs.11-50” as direct expenses.

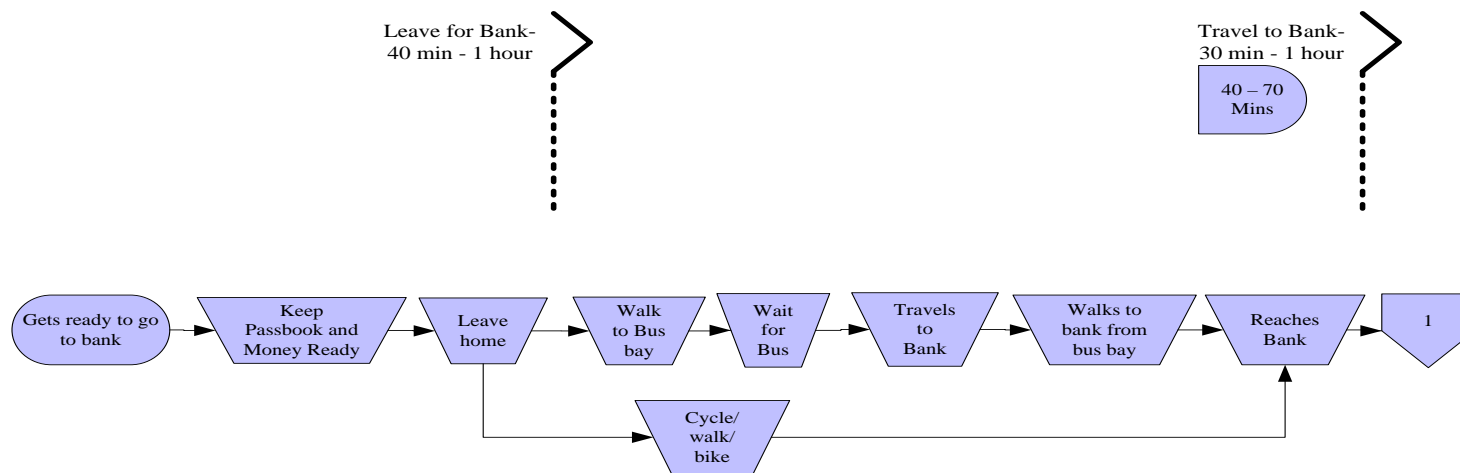
h. Travel Related Issues: Respondents find it hard to travel long distances as there are safety concerns (safety of women and money), physical exertion and travel costs. AS noted above, 57% of the respondents said that the bank is located at a distance of two kilometres and in 27% cases more than two kilometres. This acts as a deterrent and limits the number of transactions since, respondents would prefer to save in the house rather than travel to the bank.



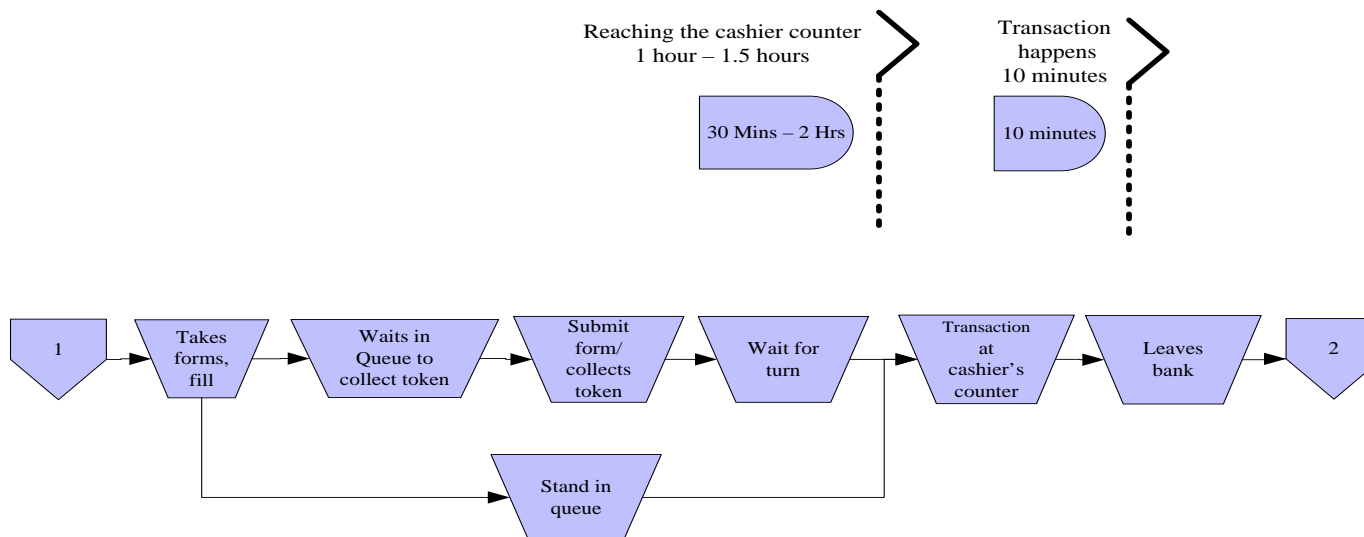
- i. ***A Limited Branch Timings:*** Limited transaction time at the branches is another issue. Respondents mentioned that the timings are such that they have to lose wages or business if they go to the bank. Banks open at 10:00am and close at 5:00pm. However, generally transactions are restricted after 2:00pm, which means that respondents have to skip their work to go to the bank. The respondents get time to go to the bank only during weekends, but on weekends the banks have shorter working hours. The fixed and short hours increase the strain involved in going to the bank due to the distance and it becomes difficult for them to go to the bank. Certain banks have fixed days for specific type of transactions and this is not favourable for clients as they cannot transact when in need.

COSTS INVOLVED IN DOING A BANK TRANSACTION

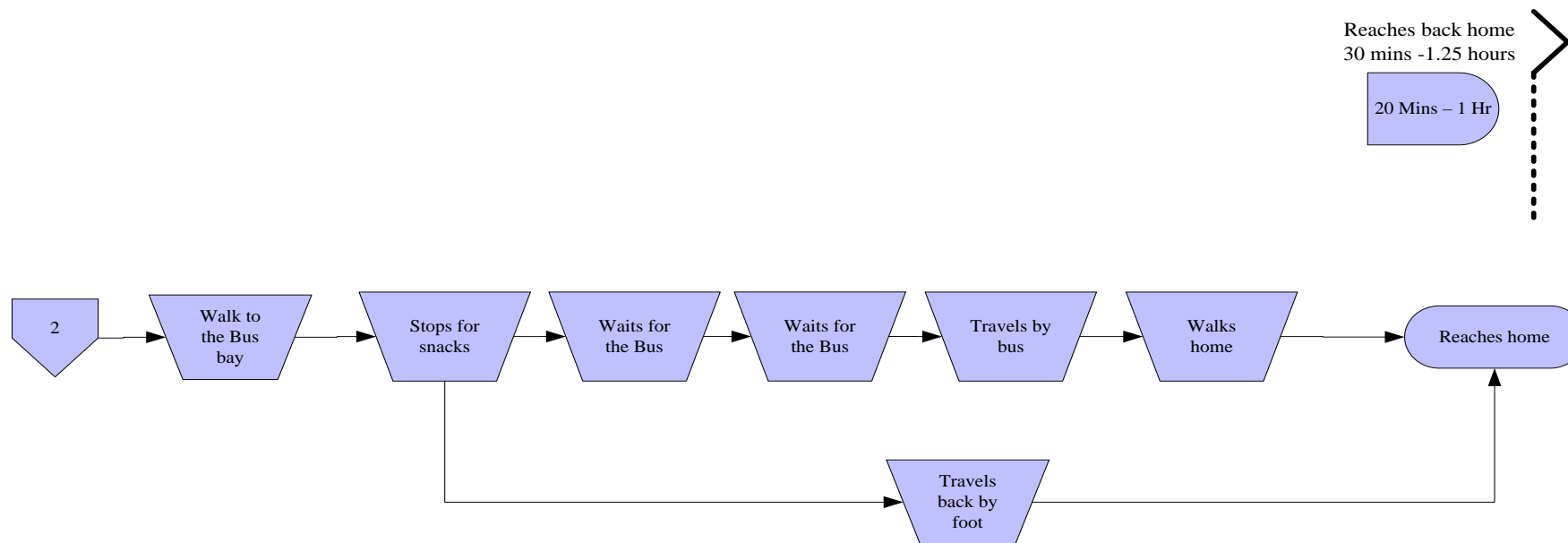
This process flow depicts the steps involved and the time allocations for respondents’ descriptions of a typical branch visit. The descriptions below detail each aspect of this process, including respondents’ aggregate estimates of time and direct costs, followed by indirect costs.



Process/Step	Before leaving for bank <ul style="list-style-type: none"> - Gets ready to go to bank - Keeps the cash book and money ready In case <i>challan</i> / slip is kept at home fills it up	Travelling to the Bank <ul style="list-style-type: none"> - Most clients either walk or take public transport to go to the bank - Some of them cycle or take their two wheeler to reach the bank
Time taken during the process (Estimates)	<ul style="list-style-type: none"> - Depending on whether they maintain transaction slips at home: 40 minutes to 1 hour. (20 minutes being the average time taken to fill up the transaction slips) 	<ul style="list-style-type: none"> - If the clients walk : 30 minutes - If they take public transport : 1hour - Note: Normally where the clients take public transport, they often have to walk till the bus bay and then wait for the bus which adds up to the time taken for travel
Cost incurred in the process (Estimates)		<ul style="list-style-type: none"> - The clients who walk (approx. 50% of the respondents) do not incur any cost - The respondents who travel by public transport on an average incur costs ranging from “Rs.6-Rs.10”.



Process/Step	Reaching the cashier counter	Conducting the Transactions
Time taken during the process (Estimates)	<ul style="list-style-type: none"> - Clients fill up the transaction slips. If illiterate, they ask someone else for assistance - Then they wait in queue to collect the token - They collect the token from the bank employee - Wait their turn <p>In places where there is no token system, the clients simply wait in queue for their turn</p> <ul style="list-style-type: none"> - Fill up transaction slips : “10--30” Minutes depending on whether the person is literate or not - Wait in the queue to collect token: 20 minutes to 1 hour depending on the crowd at the banks - Obtain the token from the bank employee: 10 minutes - Wait for the token call: 45 minutes -2 hours - In case no token system : 30 minutes <p>Total time taken: 30 minutes to 3 hours depending on the delay and the crowd at the branches</p>	<ul style="list-style-type: none"> - The client reaches the cash counter - Deposits / withdraws money - Gets passbook stamped and the transaction receipts issued <ul style="list-style-type: none"> - Time taken at cash counter : 10 minutes - Note: It was mentioned that there could be a further delay of approx 10 minutes depending on the efficiency of the staff concerned
Cost incurred in the process (Estimates)	<ul style="list-style-type: none"> - Opportunity Costs incurred indirectly by way of wage loss, loss of business etc.: Rs.100 which was mentioned to be the daily wage 	<ul style="list-style-type: none"> - No direct costs



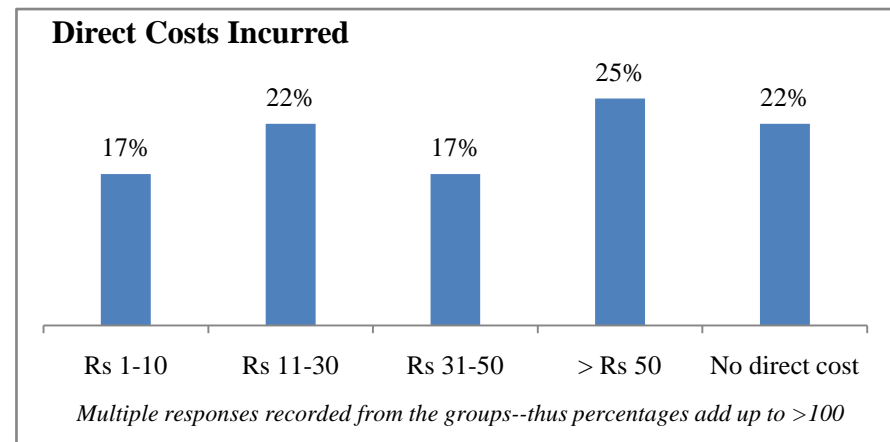
Process/Step	<p>Returning back home</p> <ul style="list-style-type: none"> - Walk to the bus bay - Stop for snacks - Wait for the bus in the bus bay - Travel back home - Walk home from bus bay <p>Alternatively clients also walk back all the way home</p>
Time taken during the process (Estimates)	<ul style="list-style-type: none"> - Walk back home : 30 minutes - Walk to the bus bay : 5 minutes - Have snacks etc : 20 minutes - Wait for the bus : 20 minutes - Travel by bus: 15 minutes - Walk back home from the bus bay : 15 minutes <p>Note: Delays occur while they wait for the bus, have snacks etc.</p>
Cost incurred in the process (Estimates)	<ul style="list-style-type: none"> - Bus fare range from Rs.6 – Rs.10 - Snacks etc were mentioned to cost on an average Rs.25.

Direct Costs

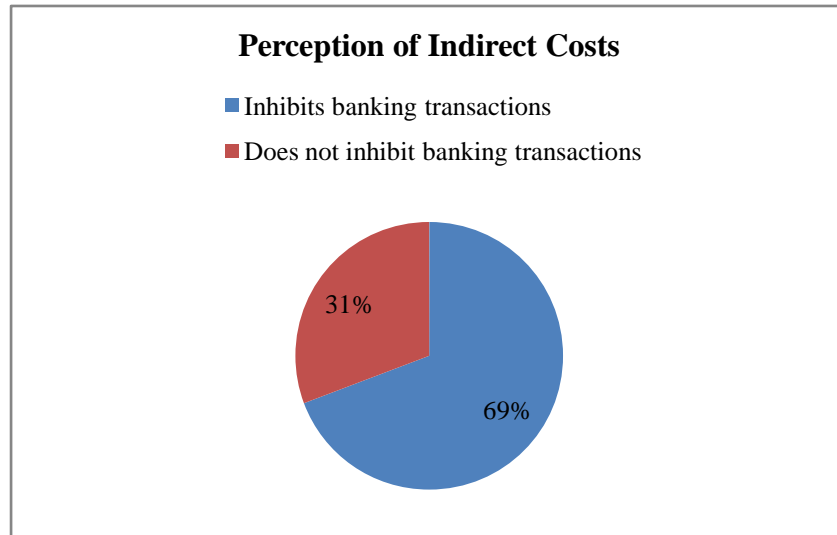
The respondents are by and large distributed across different cost ranges indicating that the distance to access bank branches changed from location to location. The direct costs bar chart shows that there is an even distribution of the respondents who transact at bank branches that are in close proximity and those that have to be accessed via public transport. The lion’s share of the expenses come not from the transportation charges per se, but from the expenses incurred by way of refreshments, snacks for children etc.

a. Transportation: The sample was evenly distributed between people who walk to the bank and those who take public transport. Those who take public transport mentioned that they incur bus fare between Rs.12 and Rs.20. But there are also a significant proportion of the clients who walk to the bank and hence incur no transportation costs.

b. Perceived Unwanted Expenses: Most of the clients also mentioned that they incur expenses by way of snacks, cool drinks and other refreshments. The average cost incurred for snacks etc. was mentioned to be Rs.25. The clients also mentioned that they incur costs for buying sweets etc. for their children which they would not have incurred if they did not go to the bank.



Indirect Costs

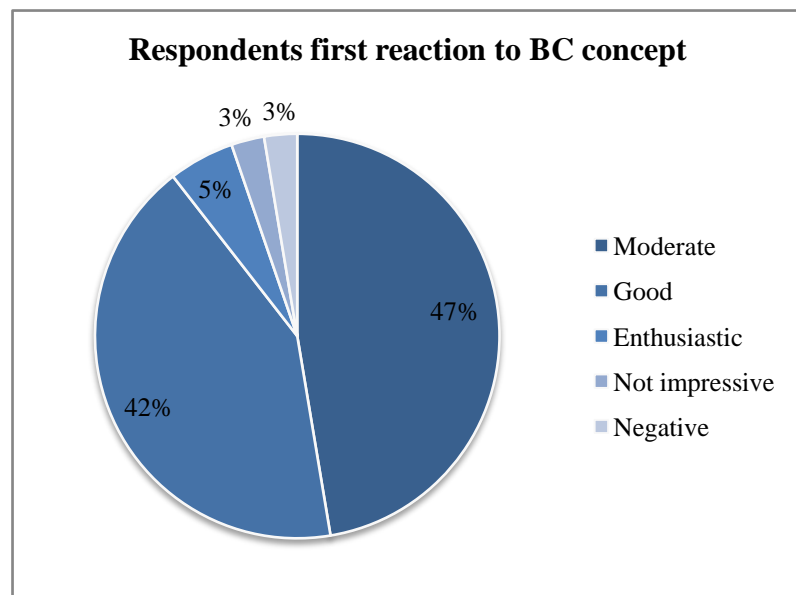


a. Opportunity Costs: Loss of wages is mentioned to be a major pain point while accessing banking services. The average cost involved is mentioned to be Rs.100. The other opportunity losses include loss of business for people involved in small businesses or those who are store keepers.

b. Neglect of Work at Home: Neglect of work at home is mentioned to have a measurable monetary impact. For instance, some respondents mentioned that they would lose a chance to graze their cattle, resulting in lower milk production. Some others mentioned that they would lose a chance to accumulate firewood, resulting in increased cost for purchase of fuel.

“Gramathula yarum chuma iruka mattom. Velaiku polainalum keera pudingitu varuvom,veragu porikitu varuvom. Anniku bank pona kaikari vanganum kerosene vanganum – athu nashtam thane!” (In villages, noone remains without any work. Even if we don’t go for work, we gather greens and collect fire wood for cooking. If we go to bank, then for the day we have to buy vegetables and kerosene, aren’t there indirect costs?)

ATTRACTIVE FEATURES OF BC MODEL



Most of the respondents are not highly enthusiastic about the idea of the BC model. In around 47% of the sessions the respondents had a moderate reaction to the concept. This is primarily due to wider network of the banks across Tamil Nadu.⁹ In around 42% of the sessions the responses indicated a good reaction to the BC model. The reason that explains this phenomenon is that respondents welcome BC model primarily for the convenience and other benefits (refer to the following section) that it offers and not only because of the proximity. BC services appealed strongly only to those respondents who live far from bank branches.

“Etho seekirama vela mudiyum, easya panam edukalam podalam enkirathukaga payan paduthalam. Itho ipdi rendu theru thandina udaney bank than, athunala banku pogarathulu ellam engalauku onnum siramam kidayathu” (Only because the transaction will be quicker and we can easily deposit and withdraw we will use it (BC services). The bank is located just across two streets and hence we have no difficulty in going to bank otherwise)

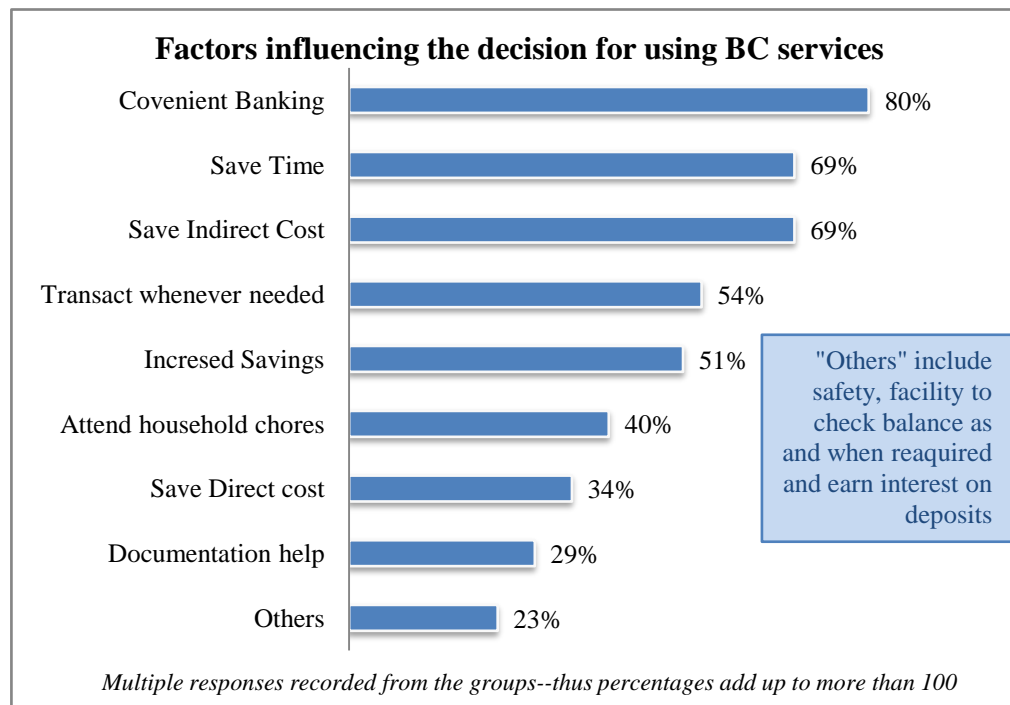
Perceived benefits include:

- a. **Convenient Banking:** As explained above, since Tamil Nadu has a wider bank network, the most obvious benefit for customers is the convenience that BC services offer. By the term ‘convenience’, people refer to the crowd and congestion at the branch being lower. Respondents are of the opinion that if BC services are available for every village then the crowd will be distributed which will help them in completing the transaction easier and faster. Also, people are of the opinion that availability of banking services within the village offers them the convenience of withdrawing and depositing according to their requirement.
- b. **Save Time:** The proposed new arrangement will help in saving the time that is spent in walking/travelling to the bank branch and the time spent there to complete a transaction. Most respondents agree that this time can be used more effectively at home or at work.
- c. **Increased Saving:** Respondents are of the opinion that if BC services are offered in the village they can deposit smaller amounts as they do not need to take the extra effort of going to a bank to deposit. They also feel that smaller amounts, if not deposited in banks, might get spent for trivial purposes.

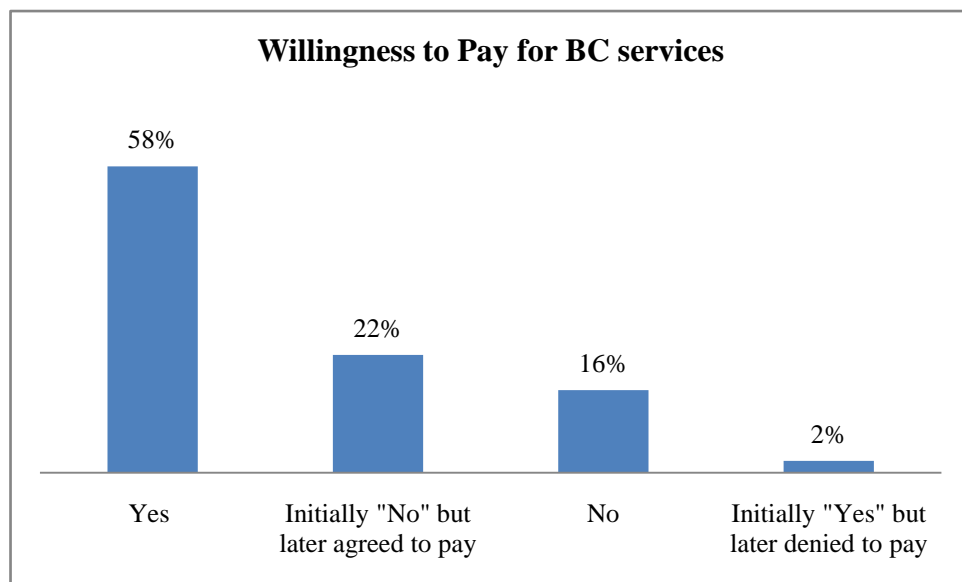
⁹ http://rbidocs.rbi.org.in/rdocs/Publications/PDFs/2T_BBS300810.pdf

Some respondents feel that if the facility to deposit in their bank account is available within the village they will have an urge to save. They also feel that with the introduction of BC services there will be more female involvement which will result in increased household savings as well.

- d. **Save Indirect Cost:** The proposed new arrangement will eliminate all indirect costs involved in branch visits. BCs will allow account holders the flexibility of transacting bank business during their free time.
- e. **Attend to Household Chores:** Respondents are of the opinion that by using BC services they can attend to household chores which might otherwise get affected if they go to bank. People responded that in a village every work left undone has a cost implication.
- f. **Documentation Help:** Respondents often noted that they do not feel very comfortable with branch staff. A local, trusted agent of the bank is preferred by many and they feel that he/she will offer them help in filling up withdrawal/deposit slips and other documents.



WILLINGNESS TO PAY



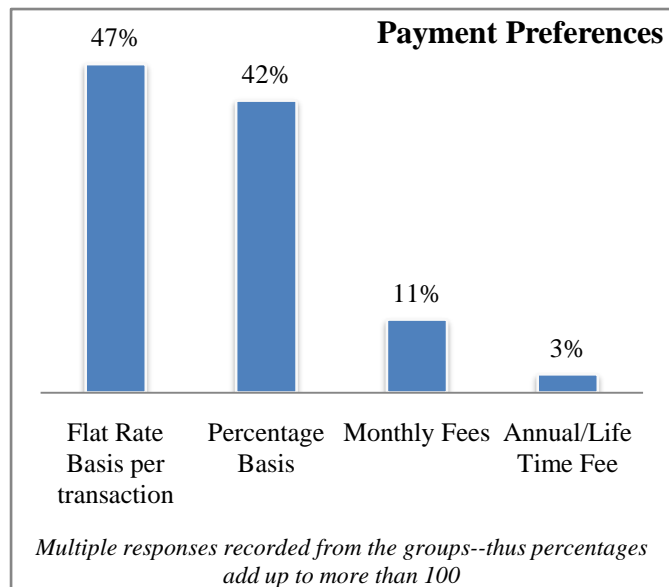
Willingness to pay for BC services is observed to be a function of distance from the nearest bank, time involved in visiting bank and completing a transaction and the opportunity cost.

The research shows that 59% of sessions indicate that respondents are very much ready to pay for BC services and another 23% of sessions indicate that the respondents might be ready after they completely understand the benefits of using BC services. A few sessions also indicate that some of the respondents are not able to make a decision. This is evident from the observation that respondents who initially voted for not paying for BC services were later ready to pay a nominal fee when they completely understood the BC model during the course of discussion. Whether or not these statements will hold true when BC services are introduced is of course an open question as the individual preference might differ from group preferences.

Sixteen percent had an initial negative reaction mostly because the banks are located close by or due to security concerns. However, some of them agreed to pay a “reasonable” amount if the services are found to be trustworthy, and if the services are fast as compared to those in bank branches. It is also to be noted that a small section of the respondents were ready to pay initially, but later they declined to pay when they weighed the pros and cons of paying and using BC services. This phenomenon was observed mainly due to the fact that respondents realised that they do not incur indirect cost always and also availing bank services at bank’s location involves no additional cost.

As explained earlier, there are multiple factors that influence respondents’ decision to pay (or not pay) for BC services. The most important factors in driving a willingness to pay for BC services are the convenience aspect and the possibility of saving the direct and indirect costs, which are currently being incurred. Respondents acknowledge the fact that banks cannot afford to open bank branches in every village, and also business correspondents would require revenue from the business to offer services on a sustainable basis.

“Avarum idha oru business madri thana panna mudiyum. Labam pakamal business panna mudiyuma?” (They [business correspondents] also undertake to offer such services only as a business. Without revenue can anyone continue their business?)

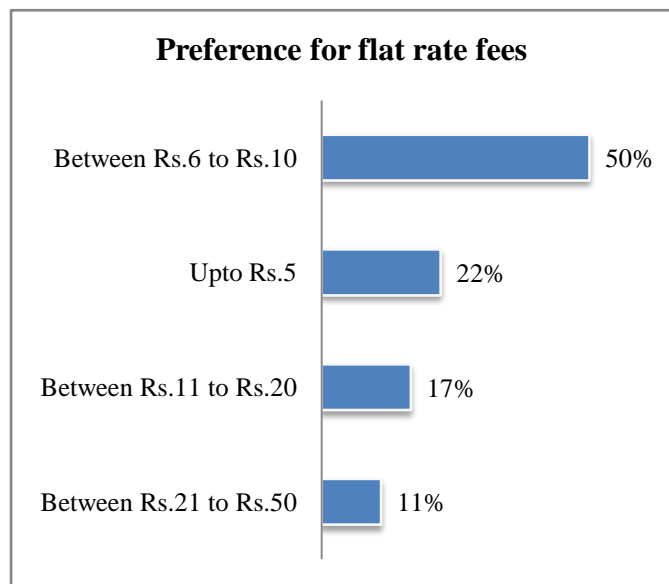


The discussions regarding willingness to pay focused on transactions ranging from Rs.100-10,000. Respondents’ preference is to pay a flat-rate fee dominated in most of the sessions (47%). This preference was primarily due to the fact that the transaction costs the clients incurred in going to a bank is the same irrespective of the transaction amount. This was followed by the preference to pay a fee on the basis of percentage of the transaction amount.

Most of the respondents prefer a flat rate on every transaction keeping in mind their capacity to pay for availing BC services. The flat rate suggested is usually Rs.5-10.

Respondents are of the opinion that charges/fees on a percentage basis will attract higher service fee while transacting high amount which will not be immediately affordable for low income households. But at the same time, respondents understand that flat rate may not be very profitable while transacting lower amounts. But they are ready to endorse it as it will be compensated when they transact both high and low amounts in the long run.

“Oru nalaiku 70 rupai samabrikaravangaluku 10 rupai ku mela kuduka mudiyuma? Neengaley sollunga!” (For us who earn Rs.70 per day can we afford to give more than Rs.10 [for a transaction?])



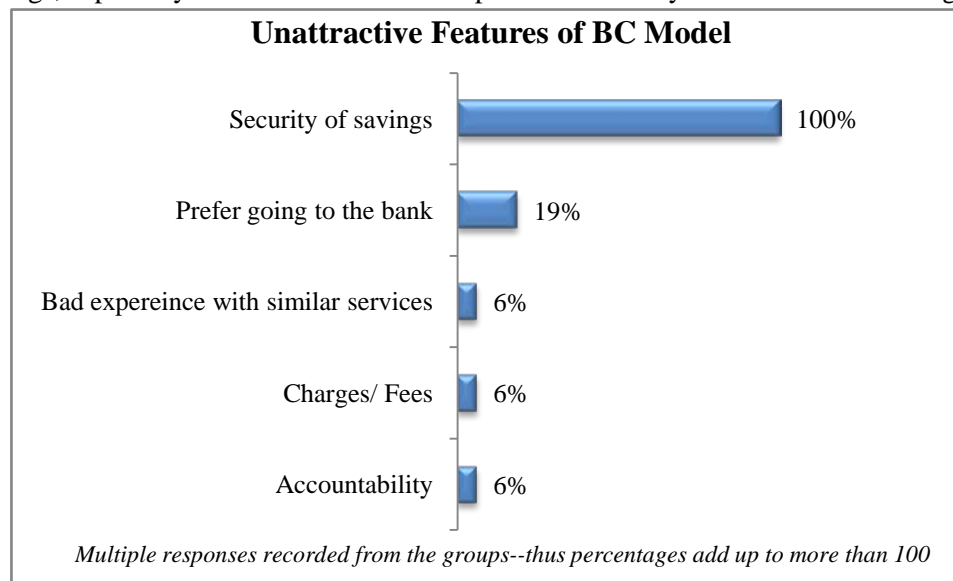
Several groups also suggested payments systems like paying a monthly fee. Some groups suggested annual fees or a life time fee. Some groups suggested decreasing the percentage of service charge for high volume transactions. This information could be further analysed for understanding customers’ preferences while designing payment structures for BC services.

Most of respondents are ready to pay for both deposit and withdrawal as they understand that the current transaction expenses are same regardless of deposit or withdrawal. The respondents who disagreed with paying for both deposits and withdrawals opine that people withdraw during emergency situation or for a planned expenditure and hence they will not be very comfortable to part with their saving in such a situation. They preferred paying only for deposits.

Most of the respondents do not agree to pay for account opening. It is to be noted that in 40% of the sessions the respondents who agreed to pay while transacting refused to pay for account opening. Many respondents are of the opinion that an account can be opened without any charge at the bank and they understand that account opening is a onetime affair and they can do it at their convenience when they will not incur any indirect cost.

UNATTRACTIVE FEATURES OF BC MODEL

a. **Security of Savings:** People are concerned about the safety of their savings, especially whether the BC will deposit their money in the bank or not. Again, they are not used to an individual or a shop keeper handling all their banking requirements especially deposits and withdrawals. There is a general feeling that the BC will flee with their hard earned money. Some are concerned of the fact that the people in the village will come to know about their financial transactions and are therefore, concerned about the risk and also about the safety of their money. They doubt whether a person will be able to manage the accounts. Respondents who have had bad experiences saving with private, unregistered groups are reluctant to trust a local business correspondent, even one authorised by a bank. Others find it hard to imagine depositing savings at a grocery store or with an individual. The security of deposits is understandably an issue of great importance to everyone.



b. **Prefer Going to the Bank:** People find going to bank to be interesting as they get to know about various savings and investment options. Introducing a BC will deprive them of an opportunity to go to banks where they get useful information. For some, going to the bank is clubbed with other activities like purchase of groceries and household supplies; therefore, these people neither do consider it as a tiresome activity nor associate cost for bank visits. Hence, they do not want to avail the services of a BC.

c. **Bad Experience with Similar Services:** There have been precedents where fly by night companies/individuals have collected deposits from the villagers and fled. People associate a BC to such incidents and are thus nervous about transacting at the BC.



d. **Charges/ Fees:** A general understanding among people is that the BC will be appointed by the government/government bank and all government benefits come free of cost. Many understand the government’s role in the BC model and they do not think it is fair to charge poor villagers for these services. Some people simply do not understand why they should pay for depositing their money. They note these services are free at the branches and that banks also earn money by lending villagers’ deposits to others. When the question of paying for BC services is put to them, they do not consider the cost they incur in going to the bank when the question of paying for BC services is put to them. Therefore, the feeling is that a model in which they have to pay for a service will not appeal to the people and lead to a slow adoption of the BC model. People would

prefer to take the pain of going to the bank and transact without any charge and save the money being paid to the BC as charges/fees.

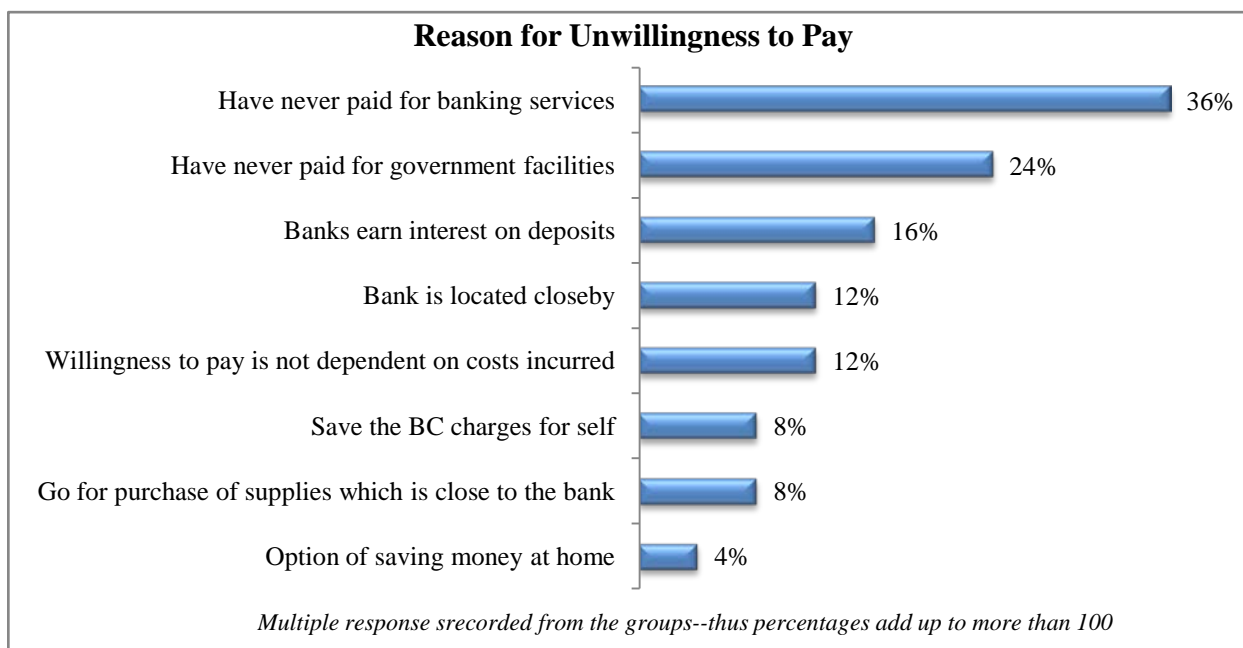
“Namma paisa podurataku ethukku charge?” (Why should we pay charges for depositing our money?)

- e. **Accountability:** If an individual or a shop keeper is appointed as a BC, people have doubts that who will be held responsible in case there is a fraud or misappropriation of their hard earned savings. The question they ask is “Will the bank give an assurance or surety or a guarantee to make good the money that has been siphoned off by the BC?”

REASONS FOR UNWILLINGNESS TO PAY

- a. **Have Never Paid for Banking Services:** People compare BC services with that of banks and post office where they do not have to pay any charges for deposits/withdrawals or account opening. Again, they argue, MFI field officers do not charge them for providing doorstep collection of loan instalments.

- b. **Have Never Paid for Government Facilities:** Most of the people in the villages have opened bank accounts since it is mandatory to open no-frills account under NREGA for receipt of wages. People are of the opinion that they have not paid for the account opening or not even for receiving wages or other benefits, therefore, charging poor villagers for deposits/ withdrawals and account opening is unreasonable. Some feel that if government really wants to uplift the poor and the weaker sections of the society, then the government should offer BC services free of cost and should not put the burden on the people.



- c. **Banks Earn Interest on Deposits:** According to some respondents, when BC services are introduced in a village, more people will start saving and the saving per head will also increase because people will start saving small amounts of money frequently due to the proximity of the BC and the convenience of the facility. This will increase the deposit base of the bank, people say that the bank can use this deposit for on lending and earn interest and hence, there is no need to charge the villagers for the BC service.

- d. **Bank is Located Close-by:** It is difficult for people who live near to a bank branch to understand why they have to pay for BC services when they can go to the bank either on cycle or otherwise since the bank is located within 2 kilometre distance. If they are provided with BC services for free in the village, they will be happy to use the service, but they will not pay for the service.
- e. **Willingness to Pay is not Dependent on Cost Incurred:** When people go to the bank they sometimes lose a day's wage, incur conveyance charges and other expenses, but they still say that they do not consider the cost when the question of paying for BC services is brought up. They do not understand why they have to pay for depositing/withdrawing their money. Since BC services is an initiative of the government, it should be provided for the benefit of the people, free of cost. People also opined that they do not lose wage every time they go to the bank, because they have breaks in between and under NREGA they have work only for 100 days. There they do not take leave from work every time they have to go to the bank; they plan their visit to the bank accordingly, unless it is an emergency.
- f. **Save the BC Charges for Self:** Some people feel that the BC service is valuable but should be free of cost – so that they can save the charge they might otherwise give the BC (or incur going to the bank) for their children. They feel that their saving will go down to the extent of the fees they pay the BC. People are of the opinion that they would rather save the money they are supposed to give the BC when compared to the convenience of availability of banking services in their neighbourhood.
- g. **Go for Purchase of Supplies in Shops Close to the Bank:** Purchasing groceries and household supplies is a recurring exercise for which people will have to go to the market once/twice in a week, or at least once in a month. The bank is located close to the market place, so they would club going to the bank along with their routine purchases. People do not find any convincing reason why they should pay for BC services when they are already going to the market at frequent intervals.
- h. **Option of Saving Money at Home:** When it comes to paying for BC services, people think that they would better save it at home rather than give anyone a charge for depositing their own money in the bank. They say that their savings are not that considerable enough to be deposited in a bank. They would rather keep the Rs.10/30/50 which is an excess over expenses than pay any charge to the BC. According to them, paying the BC will reduce their deposit to that extent.

RECOMMENDATIONS

In implementing the BC model:

- a) Trust and confidence in the service provider is absolutely essential for the respondents before they start using the services of the agent. To this extent, constant communication and reassurance from the bank is needed.
 - Communication using village level forums like the *gram panchayat* meetings could be beneficial prior to the start of the setting up of the network. For instance, eliciting applications for agent appointments using these forums could create an early awareness.
 - Post setting up the agents, further communication using these very forums and by involving village opinion leaders like the *panchayat* president would create an identity for the agent as part of the banking network and would contribute to reassuring the people.
 - Prompt transaction evidence like receipts / passbooks and displays including name boards and ID cards with the branding of the bank clearly visible helps the people to identify the agent with the bank and would further reinforce the accountability towards the people.
 - Active monitoring and periodical visits by the bank staff to the agent location also creates an impression that bank is taking responsibility and adds to the trust factor.
- b) Agent selection is another important aspect of creating trust among the people. As per the research findings, the following attributes are desired in an agent:
 - *Educated*: People perceive that proper delivery of banking services require a certain threshold level of education. Most respondents mentioned that a graduate would be ideal.
 - *Trustworthy & Well Behaved*: Another aspect that was coming in was that the person needs to be trust worthy and should not have any negative precedent. One major problem the respondents had with regard to current bank staff was that the behaviour was often rude and not customer centric. These aspects can be covered by obtaining referrals from the villagers and by random neighbourhood verifications.
 - *Local*: The people mentioned that the person needs to be a local whom they are familiar with and well reputed so that he would inspire the confidence required to transact.
- c) Many of the respondents were illiterate and they mentioned access to customer service including help with documentation as a key requirement. This needs to be built into the job responsibilities of the agent.
- d) Most of the respondents (72% of the sessions) mentioned that they were willing to pay for account opening, but a significant minority (28% of the sessions) are unwilling to pay. The banks will be better poised with regard to faster client adoption in case there is no charge for account opening. But in case charges are levied, the direct costs involved in one trip to the bank (more specifically transportation charges which range from Rs.12-20) seem to be what people are willing to pay for account opening.
- e) Most of the respondents mentioned that they are willing to pay on a per transaction basis, either as a flat amount or as a percentage amount. Most cases, clients equated the amount they were willing to pay with their current direct expenses (again only the transportation expenses). While in the current scenario, the transaction amounts may be high and the frequencies of visit low, with a BC network in place we would typically see the transaction amounts being lower and frequencies being higher. A flat rate may discourage this transaction behaviour.
 - The current average transaction amount needs to be assessed. A flat rate (equal to or lower than current average transportation expense) can be levied for all transactions which fall above the average transaction amount, otherwise clients will go to the bank branch if the percentage fee is above the transaction expenses. As per the data from the research, current median transaction range is between Rs.1,000–2,000. The transportation charges were in the range of Rs.12-20.
 - A percentage fee can be levied for transactions below the average transaction amount, since this will provide the clients with sufficient incentive to save smaller amounts regularly. The median percentage range mentioned as comfortable to the customers was 1%-2%.

ANNEXURES

Annexure I: FGD Guide for Clients

<p>Welcome</p> <ul style="list-style-type: none"> ▪ Thank you for coming – we are grateful for your time. ▪ We are from an organisation called <i>MicroSave</i>. <i>MicroSave</i> is a research organisation which helps financial institutions design products and services for those who do not get adequate access to prompt and affordable financial services. ▪ We are trying to understand what options you use for savings and your experience with it. ▪ Your names and any personal information will be kept confidential – so please feel free to express your opinions. Answers you provide here are neither right nor wrong. Every opinion is important. We would very much like to record (take notes) of these discussions to help us remember them and so that we do not miss any of the issues and ideas you give us. ▪ We again want to tell you that we are not from any bank or Government office. ▪ As a first step we should introduce ourselves. My colleague will prepare the name-tags to help us remember your names. 	
<p>Warm up Question:</p> <ul style="list-style-type: none"> ▪ What is your name and your occupation? ▪ For how long you have been living in this area? ▪ How many members do you have in your family? 	
General Questions	Related Probes
1. How many banks are in your area?	▪ How far is the nearest bank branch?
2. For what purposes do people in this community use banks around here?	
3. Which bank do people in this community use/transact with?	▪ Probe on frequency of visits
4. What kind of transaction do people in this community do?	▪ Probe on kind of transactions, frequency of transaction
Core Questions	Related Probes
1. When do people in this community decide to go to bank to transact?	<ul style="list-style-type: none"> ▪ How do you make decision for doing the transaction? Are you free to go anytime you wish to? ▪ Do you plan for day of transaction well in advance? ▪ Do you club this with other objectives (going to market/paying bill) ▪ Whether the dates of transaction are fixed? Do they have problem with this restriction? What would happen if you are unable to go to the bank on the scheduled day?
2. What difficulties people in this community face in transacting?	<ul style="list-style-type: none"> ▪ Do you need to do before you set off for transaction from home? Probe for travel arrangement/discussions with in household/ replacement at work place etc ▪ What do you do when you reach bank? For each activity tell us the problems you face.

	<ul style="list-style-type: none"> ▪ Are there issues that deter you from using bank services?
3. How much cost (direct/indirect-perceived) do people in this community incur for one bank transaction?	<ul style="list-style-type: none"> ▪ Probe for perceived and incurred costs. <u>Caution: Do not Prompt!</u>
4. Do you have any suggestions to make transactions easier?	<ul style="list-style-type: none"> ▪ Probe for size of transaction, day/time of transaction, number of transactions, behaviour of officials, max/min limit
5. What is the size of transaction?	<ul style="list-style-type: none"> ▪ Probe for both Deposit/Withdrawal
6. [introduce BC] Would people in this community use this service? If so why?	<ul style="list-style-type: none"> ▪ What do you feel about this? What feature is attracting you most? ▪ Probe further, let respondents put forth imaginary features to the group. Caution: The discussion might sway to other topics! ▪ What other feature you think this facility should have? ▪ Why it is not attracting you?
7. Who do you think is best suited to do this job?	<ul style="list-style-type: none"> ▪ Probe on various options that could be BC. ▪ Discuss for each option – characteristics/benefits ▪ Why one is better than other.
<p>Closure Thank you for your contributions in this discussion. Do you have any questions/comments for us?</p>	

Annexure II: Cost Mapping Tool

<p>Welcome</p> <ul style="list-style-type: none"> ▪ Thank you for coming – we are grateful for your time. ▪ We are from an organisation called <i>MicroSave</i>. <i>MicroSave</i> is a research organisation which helps financial institutions design products and services for those who do not get adequate access to prompt and affordable financial services. ▪ We are trying to understand what channels you use for savings and your experience with it. ▪ Your names and any personal information will be kept confidential – so please feel free to express your opinions. Answers you provide here are neither right nor wrong. Every opinion is important. We would very much like to record (take notes) of these discussions to help us remember them and so that we do not miss any of the issues and ideas you give us. ▪ We again want to tell you that we are not from any bank or Government office. ▪ As a first step we should introduce ourselves. My colleague will prepare the name-tags to help us remember your names. <p>Warm up Question:</p> <ul style="list-style-type: none"> ▪ What is your name and your occupation? ▪ For how long you have been living in this area? ▪ How far is the nearest bank branch? ▪ How often you visit the bank branch? <p>Listing Activities</p>
--

- *Define starting and end activity:* In general consider that a person leaves the house for the purpose of bank transaction only. So starting activity is the act of moving out of the house. End activity is coming back to house after completing the transaction.
- *Define the steps:* Ask the group to prepare a card for each step of the journey to the bank and then back to the respondent houses again. For example: 1. Walking from the house to the bus stop. 2. Waiting for the bus 3. Journey in the bus to the town where the bank branch is located. 4. Walking from the bus stop to the bank branch etc.
- *Probe into further steps.* Check if the two consecutive steps naturally precede or succeed each other. Also the cards for each activity should be placed in order of occurrence. Ask the respondents to think about the last time they visited the bank branch to get the activities. Then for each activity moderator should probe to ensure that he/she understands the activity fully.
- *Differentiating between modes of activity:* It is possible that in recent past the responder has used more than two modes for an activity. Specially refers to the case of transport. In this case please get the records for the mode which is used more than the other.
- Also record if the activity contributes to other objectives than banking transaction.

Guiding Questions:

1. Do you do anything significant before starting for the Bank?
2. Probe about process of reaching Bank – note if multiple mode of transport
3. Starting activities in Form – finding, filling and submitting
4. Money withdrawal – probe on activities (awareness on backend activities, what happens to their forms)
5. Probe for other activities/expenses before leaving for village
6. Return to village - note if multiple mode of transport

Time Taken and Cost (For each Activity-Card from above)

- Then go through the cards in sequence order from the house to the bank and back again, and find out the time taken for each step – once the group has agreed on how much time the step takes, note it on the relevant card and proceed to the next card. Ensure that the time spent in the bank itself is one of the activities/cards and that you fully understand the breakdown of time spent in the bank.
- Probe here as well. Probing could be “Why the activity takes so much/little time?” Also record the discussion that follows.
- Also probe any common delays and ensure that these are explained (Ask the “W questions”). Or have you faced delays in this activity in past, please explain? Try to get a realistic number for occurrence of such delays. Cross check the number of transactions in last two months as well.
- Once you have completed the analysis of time taken for each activity, proceed to discuss the cash cost of each activity.
- Is there physical cash expense for activity no 1? [Probe into all kinds of expense including those incurred in buying *paan/beedi*/tea to paying auto/bus]. What is the amount of expense? Go through the cards in sequence order from house to bank and back again, and record the cash spent on each activity on the relevant cards. Under comments section mention sub-heads if the expense is total sum of more than one expense. For example, if for moving from village road to nearby bus station, person gets a lift from friend but ultimately pays for tea for both and some money for fuel. Add the cost of fuel and tea. Mention same under comments.
- Once the group has agreed on how much cash the step takes note it on the relevant card and proceed to the next card. Ensure that any money spent in the bank itself is one of the activities/cards and that you fully understand the breakdown of money spent in the bank.

Opportunity Cost

- Then see if there is a perception of opportunity costs. Ask the respondents if they did not have come to the bank to do this activity, how would have you used this time? Probe further with reference to his/her house work and income generation activities? Please avoid accepting vague answers like, would have gone for a movie or would have slept, unless moderator is very sure.

- Observe and record if this is perceived as a cost by respondent.
 - How many numbers of days you work during more work days?
 - How many numbers of days you work during lean period of work days?
 - How much do you earn per day during lean period and more work period?
 - If you are not able to work for half day, how much you are still able to earn with remaining half day's work?
 - Collect similar details as per work profile
-
- For both groups and individuals these cards should be used for the tool – if the individual/group is illiterate ensure that you agree on and draw something to represent each step of the activity.
 - Please refer **Error! Reference source not found.**
 - The exercise shall ideally take 35-45 minutes.
 - There are obvious issues in using this tool with a group since within the group different respondents would be listing different activity set for the same action. Thus, for this tool to hold with in a group, it is advised to consider the majority's set of activities. If there are two very different sub groups, consider splitting them out into two separate groups.

Cost Mapping Reporting Format

^Direct Cost is the amount of cash one pays out during the activity. If this activity is input to any other activity (ies) as well then distribute the cost equally among the activities.

* Please calculate as below

1. Opportunity cost and time delay costs are calculated on the basis of cost of opportunity per hour. For calculating the per hour cost, the formula for per day cost is $[\text{Average wage per day} * \text{Number of employment days}] / 365 * 24$, where average wage per day is average of wage during, more work period and lean work period; number of employment days is total number of days one can find in an year (of course this will approximation but try to get as real as you can).
2. If it comes out that half day income is lost and respondent is still able to earn some money, please put the amount he has forgone directly under the opportunity cost. In this case if there is a time delay cost, please calculate as above.

Activity	Time Taken (in min)	Time Delay (in min)	Opportunity Lost (<i>record all income generating opportunity that is lost</i>)	How people perceive this?	Direct Cost^	Opportunity Cost*	Occurrence of delay (last three transaction recall)	Comments 1. List break up of direct cost if any 2. Any comments on Time delay or Opportunity Cost

Annexure III: Willingness to Pay Games for Cost and Willingness

What is willingness to pay: In econ parlance willingness to pay (WTP) refers to the maximum amount a person would be willing to pay, sacrifice or exchange for a good. The exercise shall ideally take 40 -45 minutes. The objectives of using this tool are:

1. Are they willing to pay for BC service
2. What factors influence participant's discussion on WTP?
3. How much they are willing to pay?
4. What payment system they are willing to adopt?
5. How much are they willing to pay for account opening through BC?
6. What factors influence this discussion?

Procedure:

1. Introduce the BC model (. Confirm if they have understood
2. Ask what charge are they willing to bear for using BC?
 1. Probe for each transaction deposit and withdrawal transaction. Note: this may vary between deposit and withdrawal, in which case you will have to record these separately.
 2. If the group is having varying response, record answers for each participant. Follow Step 3 but note that no response from this step is left untouched. Probe and facilitate discussion on each costs presented.
3. Facilitate discussion and probe respondents on their decision of the amount they are willing to pay. Please refer to the Moderator's role below. Record the discussion that commences. (To be reported in Tally sheet).
4. Record the WTP range that comes out. (Percentage/absolute).
5. Ask clients about charge they are willing to bear if they have to register for this service.
6. Discuss: How you'd like to pay the cost. Ask the "W questions". Record in Tally sheet.

Moderator's Role:

1. Make sure that all the respondents have understood about the BC model.
2. Keep in mind that below are our guiding points:
 1. How much are they willing to pay for savings account transaction services through BC?
 2. How much they are willing to pay to open such accounts.
 3. Why are they increasing/decreasing the WTP-amount during subsequent discussions? What are the important factors that guide their thinking process for this discussion?
 4. How are they willing to pay on number of transaction or lump sum? Same amounts for deposits and withdrawals?
3. The key to getting a WTP is to ask a series of questions and increase the WTP in small amounts. And that participant feels having real stakes in mind while thinking a number
4. Make sure that WTP that respondents have quoted are not unrealistic (too high or too low). It is also your responsibility to moderate the group towards realistic costs. In pilot(s) of this tool it was seen that respondents often relate the WTP with the amount involved in transaction.
 1. Ask about the typical amount they withdraw and the typical amount they might deposit if they had access to a convenient BC-based NFA
 2. Get them to bring up the amount they feel they would be willing to pay for it.

5. While giving examples of deposit or withdrawal use amounts like Rs20, 30, 100, or 500 mostly.

Annexure IV: Definition of BC Model

Please follow this definition of the BC model:

“BC model is like bank opening an outlet in your village. However, instead of having full fledged bank branch, the bank will appoint someone to perform deposit and withdrawal transactions. It could be *kirana* shop/medical store or any reputed individual in your village/*panchayat* identified by the bank. The idea is that you are able to do most of your transactions at that point and thus saved from going all the way to the bank branch. You would be able to make transaction of small deposits or withdrawals (as e.g.: of Rs.50/100/500/1,000) relatively close to your home – and each transaction would not take more than 15 minutes. However, there will be limits to the transaction amount you could transact.” [In case they insist: you cannot withdraw more than 10k in a day, similarly you cannot deposit more than 10k in a day].

Don'ts describing the BC model

1. Do not use the word “agent”; they might relate it with Sahara or similar services. Thus influencing either positively or negatively.
2. Do not try to be too assertive or other way about the model during the explanation. Remember that they may get influenced by the way the BC model is described to them. And we are NOT checking what marketing effort works here! Please follow the dialogue written above.

Annexure V: Definitions

Respondent: A respondent is a study participant in a group discussion and/or personal interview. In this study, respondents have their own bank accounts or experience in account opening, depositing and withdrawing funds.

Bank account: For this study, “bank accounts” were limited to accounts held with financial institutions identified by RBI as registered banks. Almost all respondents have savings accounts only with these banks.. Savings and other financing with LIC or Beesi were not included in this research.

Customer: Any person who is using or has used RBI banks for savings, credit, remittance or payments.

EBT (Electronic Benefit Transfer): EBT are government payments for various welfare programs. These include National Rural Employee Guarantee Act (NREGA), widows' pensions, student scholarships, old-age pensions, etc.

Universe (with reference to graphs/charts): In the profile section, the total number of respondents is the universe (N=251). In findings that follow, bar-graphs and pie charts represent occurrence during the discussions. These figures have been represented in absolute numbers and percentage of total occurrences.

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