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## **Cost and Willingness to Pay in Uttar Pradesh**

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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 small fees to help defray costs and provide greater incentives for the business correspondent (BC) model. These fees may help motivate business correspondents, but how do bank and microfinance customers feel about them? In this paper, *MicroSave* seeks to address the issues surrounding whether or not customers are willing to pay these extra charges for the convenience business correspondent services offer--and, if yes, how much; if no, why not? The study also examines the relative costs and inconvenience customers currently experience at regional 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 251 respondents during September 2010 in three districts of southern, north-eastern and western Uttar Pradesh; almost all respondents have a bank account or regularly accompany spouses or family to bank branches.

### Preliminary findings:

- Bank transactions are difficult for most study participants. Travel to and from the branch, wait times while there, literacy barriers, poor IT and other back-office support, and unhelpful bank staff all contribute to a negative customer experience overall.
- Most customers also lose money visiting bank branches. Direct costs range from Rs10-Rs50; indirect costs incurred can be higher and include loss of day wages or payments to their replacements in shops or at home.
- For those customers living more than 3-5 kilometres from bank branches, the business correspondent concept holds strong appeal. They cite as reasons the ease, speed and convenience of on-site or nearby village transactions, the much reduced risk of travelling with cash, the opportunity to save more, and easier access to their money in an emergency.
- Customer trust—in the BC, in the security of their payments and deposits, in the new system—will take time. Adoption will be cautious at first and full use of the various bank services on offer will depend on the efficacy and reliability of initial transactions.
- Many of the respondents accept the rationale behind charging a small fee for withdrawal and account-opening if branch visits are eliminated. Price sensitivity is high, however, as is customer awareness of how banks make money. Few, for example, think fees are acceptable for savings deposits.

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 credit<sup>1</sup> and only 39% in rural areas have bank accounts. Greater financial inclusion for these people is important to overall growth in the Indian economy and 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<sup>2</sup>. 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<sup>3</sup>.

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<sup>4</sup>. 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.

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

<sup>2</sup> [http://www.rbi.org.in/scripts/BS\\_SpeechesView.aspx?Id=342](http://www.rbi.org.in/scripts/BS_SpeechesView.aspx?Id=342)

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

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

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

- Lack of bank support for group promotion costs and capacity building (ex: 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 requirements for some BCs in certain remote rural areas.
- BC drop-out rates due to high costs, low business volume, 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".<sup>5</sup>

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.

## 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

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

BC operating expenses in remote rural areas is too high; rewards are too low<sup>6</sup>. 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)<sup>7</sup>, 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 Uttar Pradesh and savings accounts as the focus for the "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

Uttar Pradesh (U.P.) is bound by Nepal to the North and otherwise surrounded by Himachal Pradesh, Haryana, Rajasthan, Madhya Pradesh and Bihar. U.P. is the fourth largest state, covering nine per cent of India's geographical area, with 70 districts, and 112,804 villages. The research was conducted in the Allahabad, Gorakhpur, Maharajganj, Mathura and Agra districts. Please see brief profiles<sup>8</sup> below.

#### A. Allahabad: Allahabad is an important U.P. administrative district

District at a Glance	
Population	4,941,510
Literacy	62.89%

<sup>6</sup> See *MicroSave* India Focus Note 32 "[Making Business Correspondence Work - Crossing the Second 'Break-Even'](#)" and *MicroSave* India Focus Note 24 "[Making Business Correspondence Work in India](#)"

<sup>7</sup> [Pascaline Dupas, Jonathan Robinson, "Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya" March 2009](#)

<sup>8</sup> Source of all the tables are <http://upgov.nic.in/> and <http://ict.agri.net.in/default.aspx>, accessed between September 27 -30, 2010

Blocks	20
Nationalized bank branches	183
Regional Rural Banks branches	73
Cooperative Banks branches	35
Cooperative and Village Development Bank branches	6
Per Branch Population Coverage	16,638

#### B. Gorakhpur: District Gorakhpur lies in U.P.'s north-eastern plains

District at a Glance	
Population	3,784,720
Literacy	58.5%
Blocks	19
Nationalized bank branches	130
Regional Rural Banks branches	60
Cooperative Banks branches	34
Cooperative and Village Development Bank branches	4
Per Branch Population Coverage	16,600

#### C. Maharajganj: Maharajganj is one of U.P.'s eastern districts

District at a Glance	
Population	2,167,041
Literacy	80%
Blocks	12
Nationalized bank branches	44
Regional Rural Banks branches	37
Cooperative Banks branches	15
Cooperative and Village Development Bank branches	4
Per Branch Population Coverage	21,670

#### D. Mathura: Mathura is a western U.P. district

District at a Glance	
Population	2,069,578
Literacy	44.7%

Blocks	10
Nationalised bank branches	138
Regional Rural Banks branches	11
Cooperative Banks branches	23
Cooperative and Village Development Bank branches	3
Per Branch Population Coverage	11,826

Cooperative Banks	205
Cooperative and Village Development Bank branches	-
Per Branch Population Coverage	7,039

**E. Agra:** The Agra district is also situated in western U.P.

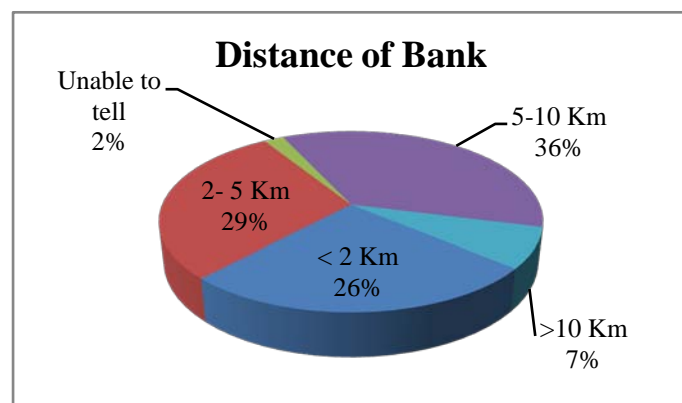
District at a Glance	
Population	3,611,301
Literacy	65%
Blocks	15
Nationalized bank branches	269
Regional Rural Banks	39

The research covered 25 villages in these districts with the help of four MFIs: Sonata, Cashpor, SVCL and Satin.

1. Sonata (<http://www.sonataindia.com/>) assisted in villages of Phoolpur block in Allahabad district.
2. Cashpor (<http://www.cashpor.in/aboutcmc.asp>) assisted in villages of Bhathat block in Gorakhpur and Maharajganj district.
3. SVCL (<http://svcl.in/>) assisted in villages in Mathura district.
4. Satin (<http://www.satincreditcare.com/>) assisted in villages of Bichpuri block in Agra district.

**Distance of Banks from village:**

The pie chart represents the distance of banks from the villages covered in the research in four districts of U.P.



The graph has been drawn up on the basis of focus group discussions and personal interviews with target respondents. Almost one third respondents had bank accounts in branches located five to ten kilometres from their village. Approximately one quarter had bank accounts in banks less than two kilometres away.



## MARKET RESEARCH PROCESS

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

### *Research Objectives*

- To assess costs that households currently incur to use banking services for savings accounts
- To understand the process of transacting at the bank and determine challenges involved.
- To establish the value (or lack of value) these households see in a BC model
- To gauge their willingness to pay for the services the BC model would offer<sup>9</sup>
- Specific questions include:
  1. How do respondents currently transact at the bank branch—size, frequency, nature (deposit/withdrawal) of transaction etc.?
  2. What is the overall cost of a visit to the bank branch? (direct and indirect costs)
  3. How far does each respondent travel to his/her branch? What distance is judged “too far”? What other deterring factors are involved in branch visits?
  4. What is the general response to the BC model?
  5. Who is willing to pay for this convenience?
  6. What are their expectations of BCs if they pay a service fee?
  7. For those who would not pay for this service, what reasons do they cite? (If undecided, what questions and concerns need to be resolved?)
  8. If accounts with lower initial deposits cost a small fee to open, what should that fee be?
  9. What qualities would they seek in a BC?

### *Research Method*

The *MicroSave* research team conducted 50 group interactions and 15 personal interviews in 25 villages. The team used the following tools for data collection:

1. **Focus Group Discussions:** Since the BC model and willingness to pay for BC services will hinge in large part 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. **Personal Interviews:** Money, however, is ultimately always private and personal. Individual interviews help ascertain how each account holder would prefer to manage his/her money and, specifically, which BC services are appealing, and which are not. Please see Annexure 2.
3. **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 various costs. Please see Annexure 3.
4. **Willingness to Pay:** This tool helps arrive at the maximum price individuals or groups might be willing to pay for proposed services.

## Market Research Process

### *Training and Preparation: 30-31 August, 2010*

- Planning, design and tailoring of research materials.
- Training for *MicroSave*’s Participatory Rapid Appraisal (PRA) methods

### *Market Research: 6-24 September, 2010*

- Participatory Group Discussions with savings account clients
- Individual interviews with customers and bank staff

### *Analysis and Consolidation*

Consolidation and analysis of data week of 27 September, 2010

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<sup>9</sup> For the research purpose, a standard dialogue detailing out BC services was defined. Please refer to Annexure IV: BC Model.

<b>Tool</b>	<b>Number of Group sessions</b>	<b>Respondents Covered[A]</b>	<b>Number of individual Sessions[B]</b>	<b>Total number of Sessions</b>	<b>Total number of respondents[A+B]</b>
<b>Focus Group Discussion and Willingness to pay</b>	21	102	6	27	108
<b>Cost Mapping Tool Willingness to Pay</b>	19	84	5	24	89
<b>Willingness to pay</b>	10	50	4	14	54
<b>Total</b>	<b>51</b>	<b>236</b>	<b>15</b>	<b>65</b>	<b>251</b>

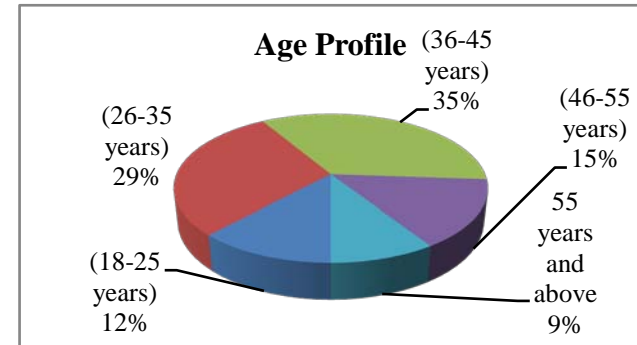
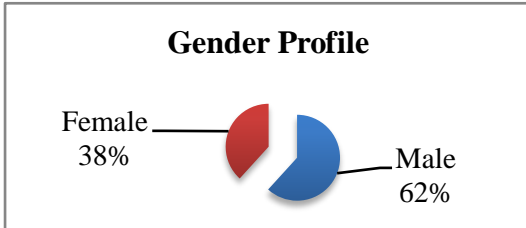
### Sampling

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 bank account holders who reside at varying distances from their branches.

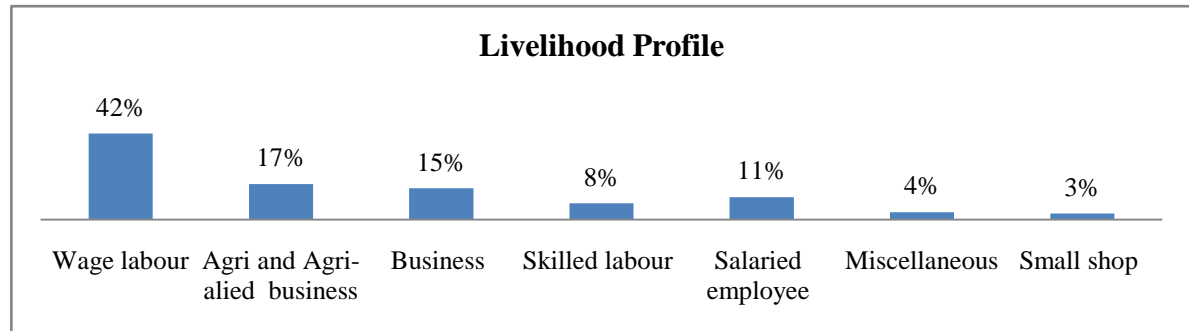
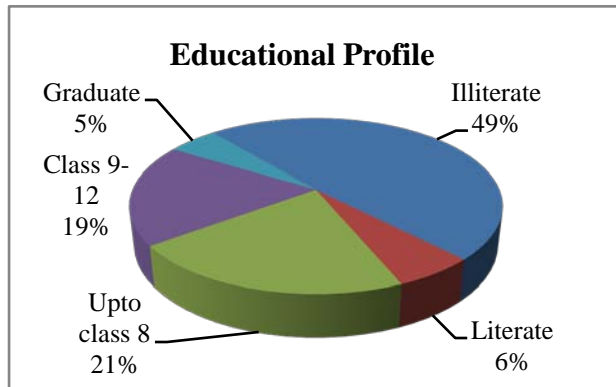


**PROFILE OF THE RESPONDENTS**

A larger number of respondents are males (62 percent), as more men visit banks than women. Seventy nine percent are between 26-55 years old. Ten percent are older than 55 and use bank services for benefit transfers. Twelve percent, predominately students and labourers, are 18-25 years old.



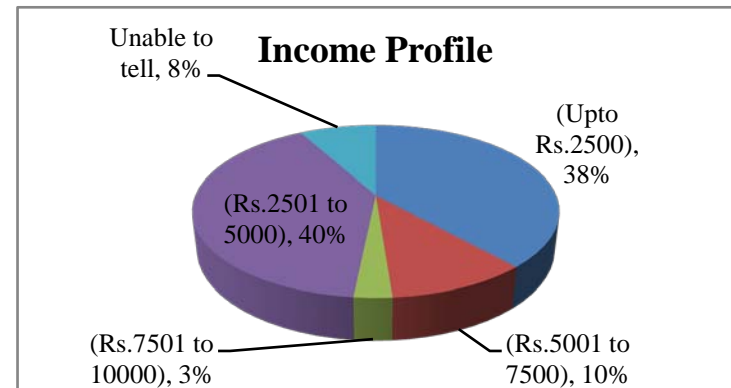
Out of several livelihoods forty-two percent are labourers, the majority livelihood profile covered. Fifteen percent are involved in business (hawkers, small traders, small manufacturing units, service providers such as tailors, carpenters, financial company agents). Eleven percent are salaried employees, both government and private. Three percent are shop owners (grocery and tea shops). Eight percent are skilled labourers (the majority are

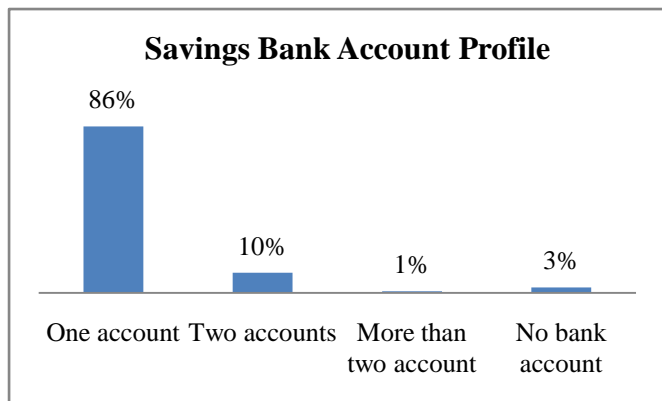


masons, plus painter, potter and mechanic). Seventeen percent are involved in agriculture and related activities, including dairy and poultry work. Some labourers also cultivate land. Close to half the respondents are illiterate. Six percent have never been to school but know to sign and in some instances read/write. Forty-five percent have attended school up to standard eighth, twelfth and graduate level.

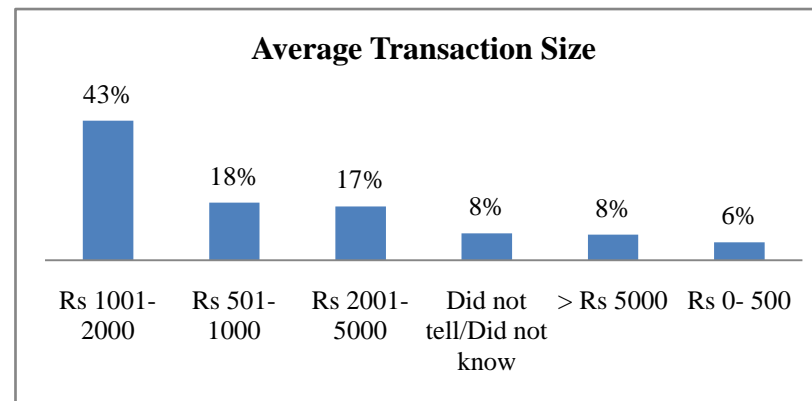
Thirty-eight percent earn up to Rs.2,500 per month. The respondents in this category are mostly wage labourers. Forty percent respondents earn Rs.2,501-5,000. These respondents are mostly involved in business and have small shops. Thirteen percent earn Rs.5,001-10,000. This category is mostly salaried respondents.

Eighty-six percent have only one savings account. Ten percent have two savings accounts. (Three percent have no account, but were included as they visit bank branches with account holders.)



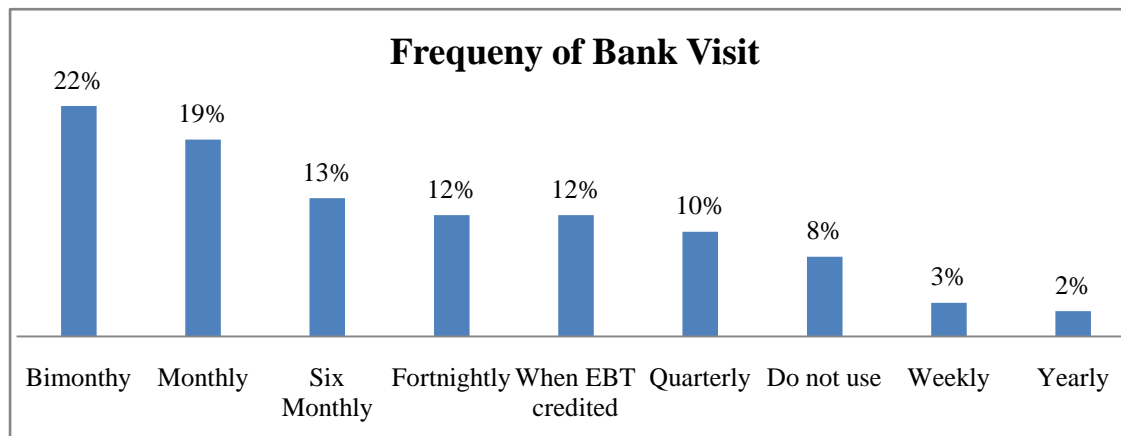


Forty percent of respondents claim an average transaction size of Rs1,000-2,000. These households are mostly labourers who use the banks for various benefit transfers as well as savings. Smaller transactions Rs.1-500 are mostly students. Eight percent either do not know the actual transaction size (mostly females who accompany their husbands to the bank), or prefer not to reveal



the amount. Eight percent mention transactions of more than Rs.5,000 (for trading or small businesses).

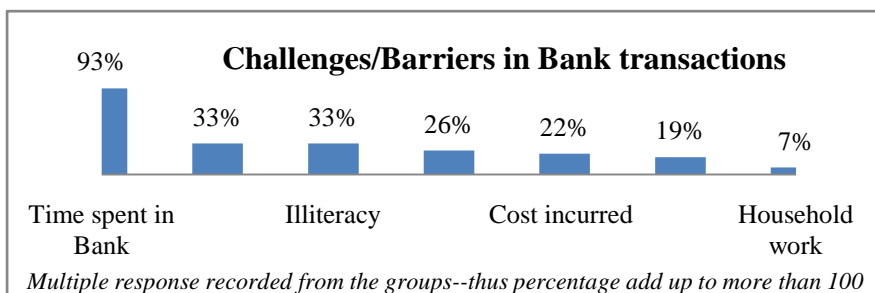
Forty one percent visit bank branches monthly or bimonthly. Twelve percent visit only when money transfers (EBTs) are credited. Twelve percent (traders) visit fortnightly. Six respondents visit weekly, six visit annually. Six monthly visitors, mostly farmers, come to the bank for loan or Kisan credit card payments and new credit.



### BARRIERS/CHALLENGES TO SAVINGS ACCOUNT ACCESS

a) **Distance from villages to bank branches-** Most villages included in the research are three to nine kilometres from the nearest bank branch. Bank visits can take up half a day and, in many cases, a full day. Poor transport and lack of proper roads add to the difficulties of time and distance.

In some villages, the nearest public transportation is three to four kilometres away, and these overloaded conveyances are often risky. Women who walk or take the bus find bank visits more inconvenient and time-consuming than men who generally use cycles or motorbikes for the journey. Handicapped and elderly account holders face further problems.

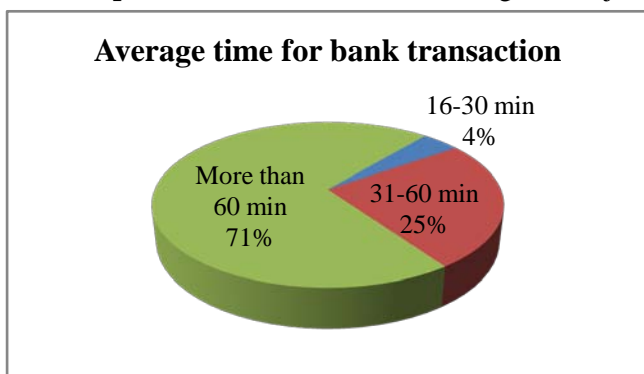


Because of distance, many also worry that money saved in the bank is not easily available to meet their emergency needs.



The security of money in transit between bank and village is an important concern for everyone. Some account holders are afraid to make larger deposits—or withdrawals—fearing theft or loss.

b) **Time spent in the bank-** For most villagers, the journey to and from the bank is only one part of the problem, Time at the branch is also difficult, due to:

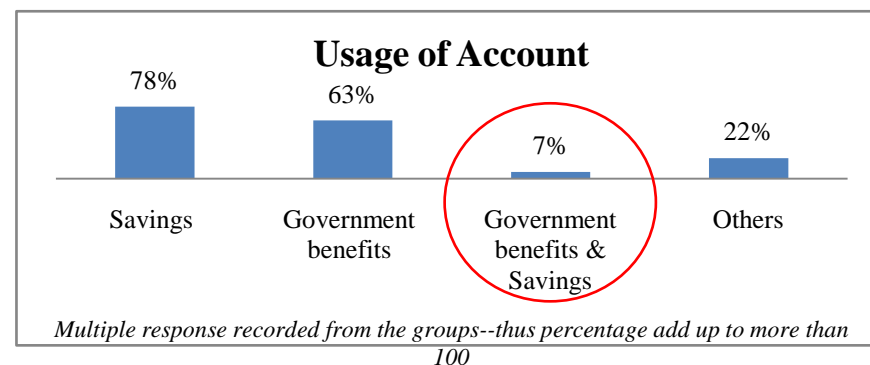


1. Crowded branches and long lines mostly owing to:
  - a. The bank’s coverage of population, in other words, low density of bank branches.
  - b. Benefit payments like NREGA, where beneficiaries come in groups further adding to congestion
  - c. Frequent system breakdowns and internet failures
2. Lack of sufficient funds for withdrawal in case of remote bank branch
3. Customers’ inability to understand and fill out forms without assistance
4. Understaffing at branch
5. Lengthy procedures for basic transactions

c) **Illiteracy-** Literacy levels also play a role. Illiterate customers cannot fill out

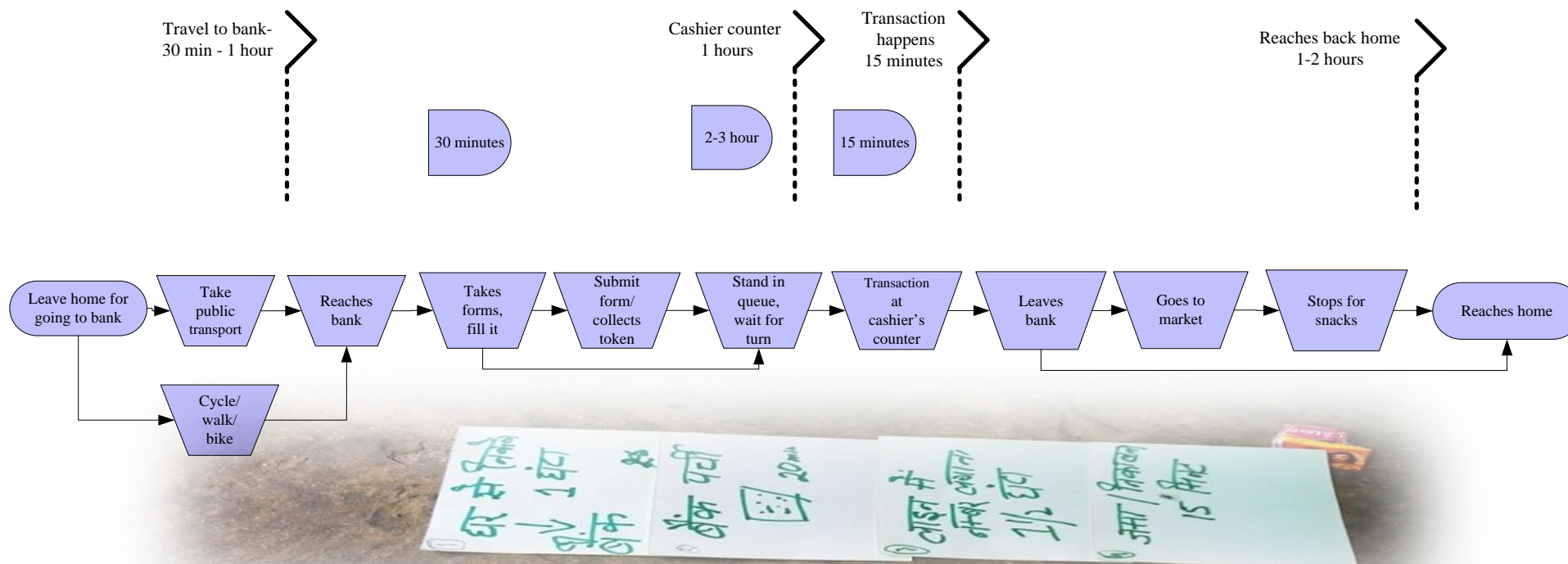
deposit/withdrawal slips without assistance. Some are too embarrassed to ask for help and ignore the required forms. Both problems add to long lines and delays.

- d) **Loss of wages**- Travel time and long waits at the branch mean daily wage earners often forego a full day's pay (Rs.50-150). (Half-day pay is not an option for most in this research area.) Wage loss becomes even more acute if day labourers must return a second or third time to complete a transaction they could not fulfil due to wait times, delays, system breakdowns, lack of funds, understaffing, etc.
- e) **Perceived losses** (neglect of cattle and children) - Many respondents report having no one to take care of their cattle or kids during branch visits. This is detailed in the section on indirect costs.
- f) **Banking System**- Banks' reluctance (and apparently, in some cases, refusal) to accept micro deposits discourage small depositors. They prefer to save with informal sources rather than visiting branches. More stringent KYC requirements requiring multiple visits to open a savings account also deter customers. Respondents would like to see improvements in these bank policies.
- g) **Behaviour of bank employees**- Respondents reveal that bank officials ignore them and few seem to respect the significant time and money lost in visiting a bank branch. According to many study participants, bankers make them wait unnecessarily for petty reasons. Too often, they must leave without completing their bank business.
- h) **Lack of Awareness**: Respondents who open accounts to receive government benefits (NREGA, widows' pension, disability pensions, etc) seem largely unaware they could make deposits as well as withdrawals. In two groups, government beneficiaries mention using their accounts for savings. Most, however, only go the bank when their benefits are credited.



### 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	Time taken during the process (Estimates)	Cost incurred in the process (Estimates)
Respondent leaves for bank and... <ul style="list-style-type: none"> <li>- Takes nearby public transport</li> <li>- Walks to nearest public transport</li> <li>- Walks all the way to bank,</li> <li>- Takes cycle or bike.</li> </ul>	<ul style="list-style-type: none"> <li>- Public transport or walking: 1 hr</li> <li>- Cycle or motorbike: 15-30 mins</li> </ul> Note: times vary depending on distance, weather, condition of roads, other errands en route, etc.	<ul style="list-style-type: none"> <li>- Rs10 for public transport</li> <li>- Rs.10-12 petrol for motorbike (average)</li> </ul>
S/he reaches bank branch and... <ul style="list-style-type: none"> <li>- Fills in the deposit/withdrawal form</li> <li>- Waits to transact at the cashier.</li> <li>- OR waits to give form to clerk,</li> </ul>	Literate: 10 minutes to fill out form Illiterate: 30-40 minutes to wait for help with form <ul style="list-style-type: none"> <li>- Wait for cashier: 1 hr</li> <li>- Wait for token: 1.5 hours, plus cashier can be 3 hrs.</li> </ul>	<ul style="list-style-type: none"> <li>- Indirect. Opportunity cost for a day's missed work: Rs.100-300, depending upon skill level</li> </ul>

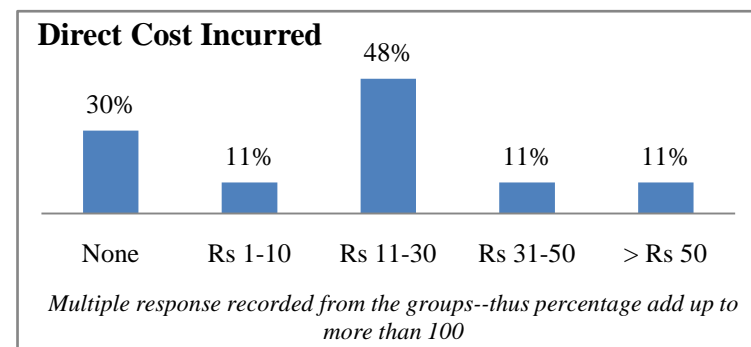


receives token, then waits for cashier	- Longest waits are for EBT withdrawals (these are always crowded days at branches)	
S/he reaches the cashier’s window and completes the transaction.	- 10-15 mins, assuming no delays at the window <sup>10</sup> - If there are delays this can be significantly longer (up to 3 hours in extreme cases)	
S/he leaves bank and... - Goes to market for household items. - Stops for snacks/tea/pan/bidi. - In a few cases and more so withdrawals, goes directly home.	- 1 hr depending on individual shopping, snacks, etc.) - If goes directly home, see above (15 mins -1hr)	- Rs.20-30 in snacks/ <i>paan/bidi/gutka</i> <sup>11</sup>
Respondent reaches home	Same as travel estimates above	Same as cost estimates above.



**Direct Costs**

**a. Transportation:** Going to the bank can be expensive for poor people. The main direct cost is transportation unless they walk or bicycle. Public transport includes auto rickshaw, jeep or bus. Motorbikes incur fuel costs. As shown in the graph, 30 percent pay nothing for transportation, but most pay between Rs.11-50 and 11 percent pay more than Rs.50.



<sup>10</sup> The team has seen different systems in different banks:

- 1- The customer reaches the bank, fills the form and waits in a queue to reach the cashier. The cashier makes the payment when he/she gets to the head of the queue.
- 2- The customer reaches the bank, takes form, fills it, submits it to the payment authorisation officer, takes a token and then wait for his/her turn. When it is his/her turn, the cashier calls him/her and makes the payment
- 3- The customer under goes three steps (and three queues) to make a transaction: a. Register the transaction; b. Get the transaction authorised and c. Go to the cashier to actually perform the transaction.

<sup>11</sup> *Paan* – Betel leaf along with betel nut and tobacco , *Bidi* – Kind of cigarette used by rural mass for smoking purpose, *Gutka* – Small pieces of betel nut mixed with tobacco



**b. Unintended expenses on refreshments**

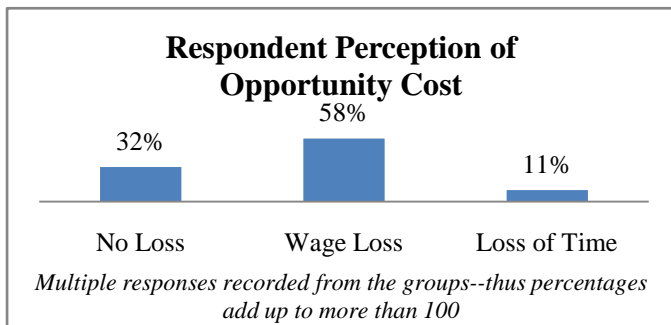
Respondents note they usually also spend money on snacks and intoxicants en route home from the bank.

**c. Shopping for food and household items:** They also visit nearby markets after withdrawing money from the bank. Several mention the extra spending on fruits and sweets for their children. This, they claim, would not happen if they had not gone to the bank.

**Indirect Costs**

**a. Opportunity-** Loss of wage labour or daily income is a cost that many account holders bear—but not always, since some seasons offer less work or no work. Wage labourers feel the opportunity loss most keenly as the full or half-day at the bank leaves them no time to work or look for work.

**b. Neglect of work at home-** Respondents who are not wage labourers mention loss of important household work and childcare as costs. Village shop owners note they must either close the shop or find someone to manage while they are away.



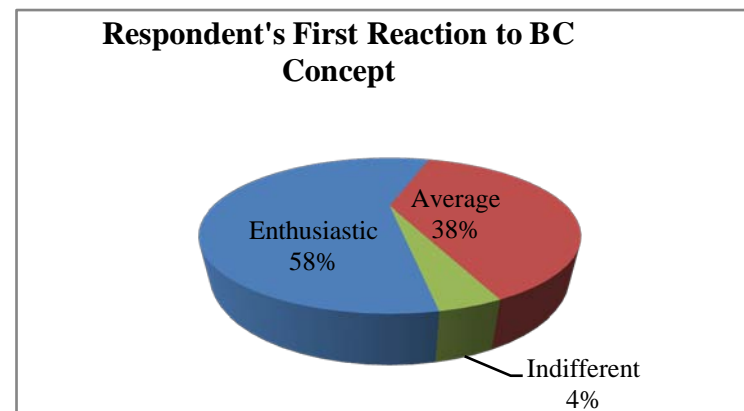
*“Din bhar kee majdoori to gayab ho jaati hai”, pure 5 kilo gehu ka nuksan hota hai (We lose a whole day’s work which is 5 kgs of wheat).*

### ATTRACTIVE FEATURES OF BC MODEL

A majority of the respondents enthusiastically welcome the idea of the BC model—although not all. Some have an “average” response and others are indifferent (please see pie chart). For those respondents who live far from back branches, the doorstep and local BC services have strong appeal. For those less inconvenienced by distance and branch visits, the BC model is (unsurprisingly) less compelling.

Perceived benefits include:

- a. **Time saving-** The most obvious benefit for remote customers is the current the half/full day necessary for branch visits versus a proposed 30 minutes or less with a local BC for the same transactions. Most respondents agree this time can be used more effectively at home or at work.



- b. **Save direct and opportunity cost-**The proposed new arrangement will eliminate all direct/indirect costs involved in branch visits. BCs will allow account holders the flexibility of transacting bank business during their free time. Respondents note they can add to their savings the costs of transportation and refreshments.

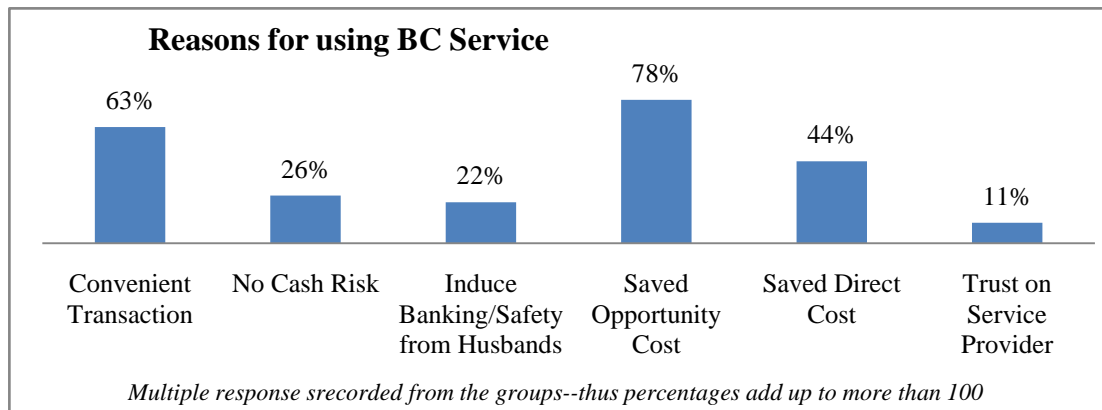
- c. **Eliminating tiresome travelling-** BC doorstep service and nearby BC agents are particularly welcome for women, pensioners, the elderly, and the disabled for whom a lengthy journey to and from the bank poses greater challenges

*“Gaon kee janta bhee suvidhaon ke liye bahut door nahin jaana chahti”* (Residents of village too, do not want to travel far for services)

- d. **No cash risk** – The BC is responsible for the cash carried to and from the branch, thereby eliminating the risk for all account holders, but especially for those who are most vulnerable.

- e. **Encourage more banking-** With the flexibility, convenience and economies of the BC model, account holders may make more frequent savings deposits, even if those deposits are small. Female account holders also like the possibility of a separate, and perhaps clandestine, account which they control and to which their husbands do not have access
- f. **Withdrawal during emergencies:** BC services also allow account holders to withdraw money more quickly and easily in an emergency. At present, customers must borrow from a neighbour or relative or from money lenders, arrangements that no one likes.
- g. **Easier interactions with local agent:** As noted previously, respondents do not always feel comfortable with branch staff. A local, trusted agent of the bank would be preferable for many,

*“Agar bank yahan hogi to pudiya mein 1.5 rs nahin kharch karenge, jama kar ke 50 rs jama kar lenge” (If bank is closer, we would not spend small amounts, we would collect these and deposit them)*

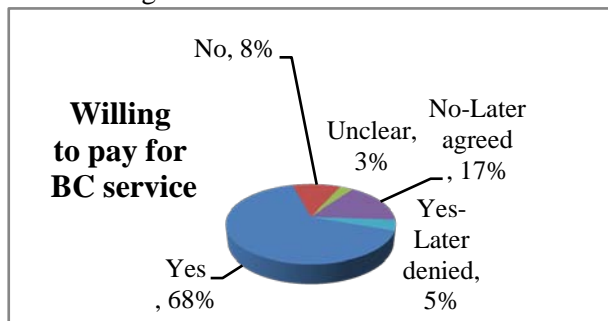


“Convenient Transaction” refers to time saving, easy process and benefit of banking in emergencies



### WILLINGNESS TO PAY

Willingness to pay for a BC service seems to hinge on distance from the nearest bank branch, security concerns, and the fee amounts. Respondents also clearly have conflicting opinions which seem to change as they discuss proposed fees and BC services. On-going group endorsement in each village will be critical to BC success.



The percentages culled from the research are tricky as group opinion can change individual intentions. The research currently shows that almost 85 percent indicate small fees for the BC model would be acceptable, and 68 percent could pay these fees without difficulty. Whether or not these statements will hold true when BC services are introduced is of course an open question – the old market research dilemma of theoretical v. realisable demand.

“Gaon mein koi bhee fizool kharchi nahi karma chahta. Ek seema ke andar wajib kharch dena pada gaon mein suvidha ke liye toh log denge (No one in the village wants to make unnecessary expenses. If reasonable amount is charged for the banking facility in the village then people will pay for it).

“Agar baat samajh mein aa gayi toh fees de denge gaon ke log, par zyada fees bhee nahi de payenge” (If people in the village understood the concept of the BC service, they will pay for using it. But the amount has to be reasonable for them to use it)

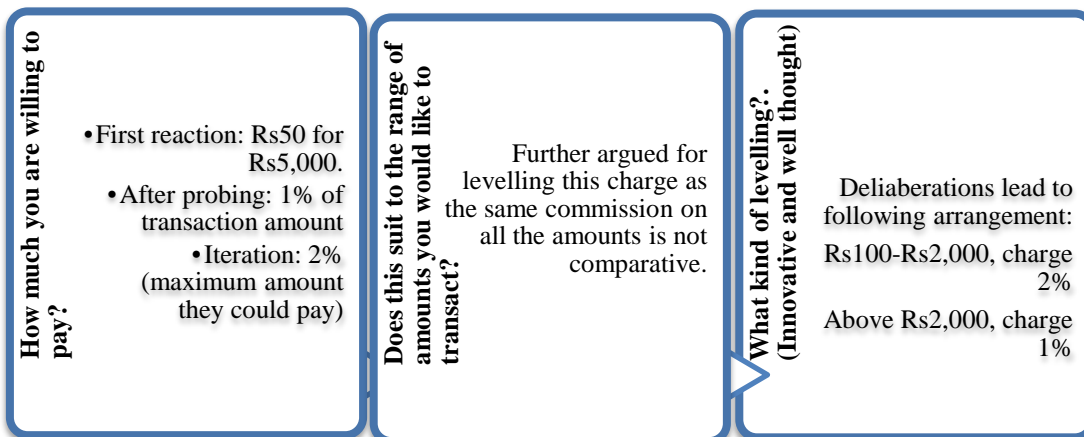


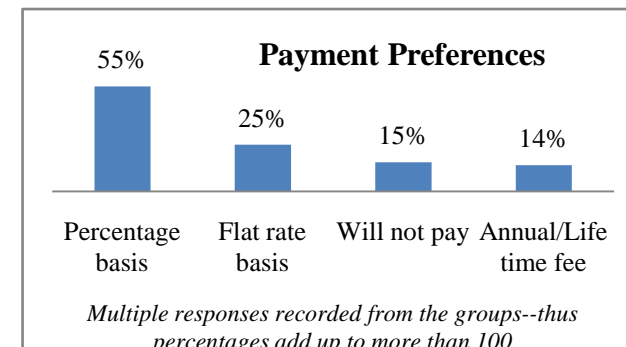
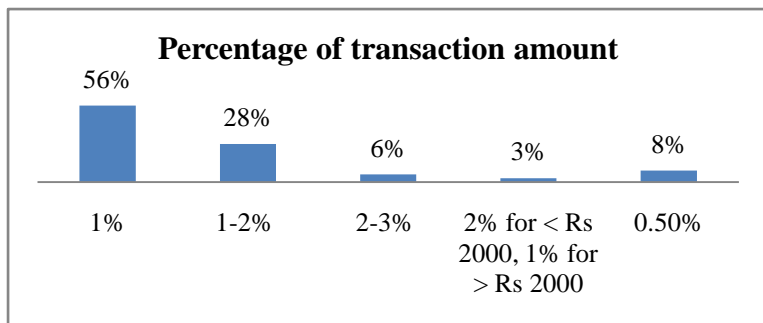
Figure 1: Generic steps of thought process on the issues of WTP

Seventeen percent had an initial negative reaction—mostly due to security concerns—but also agree to pay a “reasonable” amount if they find the service to be trustworthy. Eight percent vote a clear “no.” Five percent changed from positive to negative after group discussions due, again, to security and trust issues. They also note banking services are free at the branch.

Various factors influence respondents’ thinking about fees. The BC model is obviously preferable to the difficulties branch banking imposes for many respondents. (These are detailed in earlier sections of this report.) The respondents also understand that banks need to cover their costs. “*Ek paisa ke bina ek kadam nahi chalta. Bank waale bhee bina kharch liye seva nahi de paayenge*” (Nothing moves in this world without money. Even the bank will not provide this service without any fees).

Nevertheless, respondents hope the government will indeed impose only “reasonable” tariffs as every penny matters for low-income households. The banks’ role, and potential profit, remains strongly suspect for some.

The discussions regarding willingness to pay focused on transactions ranging from Rs.10-10,000. In more than half the sessions, respondents prefer a percentage system to flat-rate fees. Most respondents who opt to pay on a percentage basis seem to agree on a fee of 1 percent of the transaction amount. Less than 10 percent insist on a maximum of 0.5 percent of the transaction amount due to their impoverished circumstances. For those who appreciate most fully the benefits of the BC model, 1-2 percent of the transaction amount is acceptable.



Twenty-five percent want to pay on a flat-rate basis. They prefer paying Rs.1-10 per Rs.1,000. Thirteen percent prefer an annual fee. The fee range in these instances is Rs.50-150. Respondents also have views on what is and is not appropriate to pay for. Some maintain it is fine to pay fees on withdrawals, but not on deposits (as they will only lose the interest otherwise earned—and banks will already earn money from deposits). Few groups came up with innovative fee systems. Examples include: (a) Villagers pool money and pay a monthly fee to the BC out pool; (b) Differential percentages on different amounts (2 percent of transaction amounts for sums of less than Rs.2,000, and 1 percent for higher sums) and (c) Annual fees to be revised after five years with possible new terms for renewal.

An even higher number do not want to pay to open an account (since branches do not charge for this). However, half the group sessions acknowledge that fees of Rs.10-100 are potentially the same as minimum account balances.

*“Paise jamaa karte waqt log paise nahi denge. Isse paise par kam byaaj milega. Nikalte waqt log paise dena zyada theek samjhenge”.*  
 (No one will pay while depositing the money. It will reduce their interest amount. People will find it better on being charged for withdrawal.)



## UNATTRACTIVE FEATURES OF BC MODEL

- a. **Security of savings:** Respondents who have had bad experiences saving with private, unregistered groups are reluctant to trust a local business correspondent, even one authorized 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. **Price:** 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. They note these services are free at the branches and that banks earn money by lending villagers' deposits to others and charging interest on that credit. Finally, fees will slow adoption of the BC model. (For more details, please see next section: Reasons for Non Willingness to Pay.)
- c. **Opportunity to travel.** Several respondents note that BC services would take away one of the few reasons they have to leave the village.

(For more details, please see next section.)



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## REASONS FOR NON-WILLINGNESS TO PAY

- a. **No charges in the branch:** Respondents argue that presently all deposit and withdrawal transactions in the bank branches are free, and BC services should be as well. Those who understand this is a government-sponsored programme maintain such initiatives should remain free for the poor. Most realise that banks must cover some of the BCs' costs, but they note that since banks will earn some money from customers' deposits, there should be no charges for account opening and deposits.
- b. **If not too inconvenient, branches are preferable to fees** Some claim they would prefer to go to their present bank branch for savings and withdrawals rather than paying anything to BCs. (For the most part, these are respondents who can cycle to the branch and for whom time is not a high priority.) They emphasise it will be difficult to exact charges from poor people who work very hard to earn such small amounts of money.
- c. **Comparison with other local savings options:** Respondents compare BC services with post office where they do not have to pay any charges for small savings. Some also compare the BC model with the unregistered societies (e.g. *Beesis*) which also do not collect fees for savings. On the contrary, they earn better interest compared to banks in such savings arrangements. Others compare BC services with insurance agent models, noting that these agents collect premiums and other deposits free of cost. Hence, they want this service free of any charges as well.
- d. **Nearby branch:** For those respondents with a bank branch close by (one to two kilometres), the rationale for BC services is much weaker. They perceive even less reason to be charged for convenience and indirect savings. "*Yahan par bank banawenege to nahi chal pawengi. Yahan par to sari suwidha hai. Ye to us gaon me kam karegi jahan par koi bank nahi hai*" (If you will open bank (Banking Correspondence, BC) here then it will not work. We have all the facilities here. This will work in those villages where there is no bank)



## RECOMMENDATIONS

In implementing the BC model:

- a) Security of savings is a major concern for low-income people. Some have had bad experiences entrusting their money to external operators, so banks must appear to fully authorise and support their business correspondents, especially at the outset.
  - o Marketing and education campaigns to create awareness.
  - o Personal endorsements from branch personnel during field visits and showcasing of success stories, and
  - o Active ongoing bank involvement to reassure customers.
- b) A small kiosk in a reputable village shop (one that is NOT already the chief village money lender) is an appropriate venue for business correspondents. Customers want not only easier and faster transactions, but also help with filling forms and other bank formalities. In addition, they expect patience and the BC's focused attention. A bank agent with too many responsibilities and distractions often fail to serve their needs well. Customers are looking for the following attributes in a business correspondent:
  - o **Educated:** competent management of banking procedures and forms.
  - o **Trustworthy:** proof of bank financial guarantees even if the BC defaults
  - o **Local:** already well known and trusted in the village or local area
  - o **Land Ownership:** markedly less chance of default and absconding with funds if BC owns house and land in the village.
- c) The pricing per transaction must be carefully assessed to include the following:
  - o Opportunity costs that can range as high as Rs.200, depending on the work profile and season.
  - o Travel costs from Rs.5-25 for one trip.
  - o The popular proposal in this study of 1 % of the transaction amount may not be appropriate for higher transaction amounts (> Rs.5,000)
  - o A stepped scale of fixed amounts ranging from Rs.1-Rs.25 for various transaction amounts could be most acceptable option.
- d) Charges for account opening remain controversial, and most customers seem to prefer opening a minimum balance account to opening a zero balance account and paying a fee for it.
- e) The term “fee” or “commission” may be the wrong way to introduce a new system and does nothing to attract new customers. A better solution might include embedding charges for transactions or account opening in already accepted service costs (documentation changes, passbook costs, ATM and card fees, etc.)

*“Samajhdar log kholenge to chote log khud hi chale aayenge”*  
(If educated people of village will open then poor people will automatically come”)

*“Logon ko samjhane bujhne mein samay lagega, faydemand hoga to sabhi judenge”* (People will take time to test the service, once it is proved to be beneficial, all will join)

*“It will require consistent marketing and trust building activities to percolate the concept and time as people realise the benefits”*

## CASE STUDIES

**Name:** Ram Kailash Jaiswal

**Age:** 45

**Education:** 8th

**Occupation:** Shop owner, agriculture, renting generator systems and lighting arrangements for functions.

**Village:** Bagai Khurd, Phoolpur, Allahabad

**Family members:** Mother, wife and five children

**Saving avenues used:** Kshetriya Grameen Bank, State Bank of India and LIC

**Household monthly income:** Rs.6,000-8,000 (includes remittance income)



*Har baar .5% le to ya phir saal bhar ka ek sath 100 rupaiye le lijiye. Sab logo ko bahut suvidha ho jayegi, par nafa nuksaan to dekhna padega, agar .5% se jyada hai to log wahi jakar nikal lenge.*

Ram Kailash lives in *Bagai Khurd* since birth and owns a tea shop in the village market. He is enterprising by nature and owns 1.5 *bigha* of land. He is also involved in renting generators and lighting systems. His

three sons live in Surat and work as vegetable vendors.

He has two bank accounts in Kshetriya Grameen Bank and State bank of India both in *Sahson* market, 8 kms away. He makes the one-hour trip to the market every four days with his cycle to buy groceries for his shop. He visits the bank on average once a month or whenever he needs money for his business and family needs. His account in Ksetriya Grameen Bank is more than 10 years old, but the account in SBI was opened four years back to cash a cheque received from LIC. There was some problem with spelling his name in the earlier account.

Now he keeps money in both accounts. This is useful as he can deposit or withdraw in whichever bank is less crowded. As he is educated, he finds bank transactions easy. He likes the BC model as it will allow him to access his

account in his village, and he can earn more by spending more time in his shop. He claims he will happily pay 0.5% on every BC transaction, or Rs.100 per annum for doorstep services.

**Name:** Subhash Chandra Harijan

**Age:** 35

**Education:** 5th

**Occupation:** Cosmetics Vendor (on cycle)

**Village:** Lilhat, Phoolpur, Allahabad

**Family members:** Wife and four children

**Saving avenues used:** Kshetriya Grameen Bank, Bank of Baroda (in name of wife) and Sahara India

**Household monthly income:** Rs.5,000



Subhash is a cosmetics vendor who moves from village to village on his cycle. He saves his money in Kshetriya Grameen Bank and Sahara for future needs. His wife also has an account in Bank of Baroda. She opened this account to receive NREGA payments.

*Hum koi charge nahi denge, Bank bhi to kamayegi hamarae paise se, humko kam byaj deke aage jyada byaj pe loan denge*

Subhash's bank is 2 km away from his village. He is excited to hear about the BC model but when asked about fees for these services, he claims he would not pay. He suggests that bank impose a minimum balance on such accounts instead (the interest earned on the account balances, could be considered as fees.) Currently bank transactions are not a problem as he visits Phoolpur daily. He concedes the process is very tedious and bank is always crowded but, for him, these drawbacks are more acceptable than charges for BC services.



**Name:** Devendra Singh  
**Age:** 43 years  
**Education:** Graduate  
**Occupation:** Farmer and cattle rearing  
**Village:** Magora, Agra  
**Savings avenue used:** State Bank of India  
**Monthly Income:** Rs.4,500



The bank is 9 kilometres away from Devendra's house. He visits the bank quarterly by cycle and does transactions in the range of Rs.1,000-2000. He also goes to the bank to pay his crop loan. According to Devendra, banking transactions (especially withdrawal) take one whole day. He says his loss is same as for a daily wage earner – Rs.125-150.

For these bank visits, Devendra must arrange food for his cattle at least a day in advance. He leaves for the bank in the morning at around 9 by cycle to be there an hour later when the bank opens. Deposits take up to an hour; withdrawals are more uncertain. Devendra notes that two, sometimes three, visits are necessary to complete such transactions. When asked why, Devendra says that bank officials make excuses like computer failure, insufficient funds (big account holders have withdrawn large amounts) or signature mismatch. After completing his bank business, Devendra returns straight home and does not stop for refreshments on the way.

He favours BC services in his village. He notes that BCs would provide convenience of deposit and that he can save money earned by selling milk on a daily basis.

When asked about the willingness to pay for the BC service Devendra readily agrees to pay and argues that when villagers can pay brokers in the bank for opening bank account, they can also pay for the BC services. He suggests

taking a one time fee of Rs.150 for opening a zero balance account and does not like the system of paying per transaction



## ANNEXURES

### *Annexure I: FGD Guide for Clients*

<p><b>Welcome</b></p> <ul style="list-style-type: none"> <li>▪ Thank you for coming – we are grateful for your time.</li> <li>▪ 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.</li> <li>▪ We are trying to understand what options you use for savings and your experience with it.</li> <li>▪ 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.</li> <li>▪ We again want to tell you that we are not from any bank or Government office.</li> <li>▪ As a first step we should introduce ourselves. My colleague will prepare the name-tags to help us remember your names.</li> </ul>	
<p><b>Warm up Question:</b></p> <ul style="list-style-type: none"> <li>▪ What is your name and your occupation?</li> <li>▪ For how long you have been living in this area?</li> <li>▪ How many members do you have in your family?</li> </ul>	
<b>General Questions</b>	<b>Related Probes</b>
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
<b>Core Questions</b>	<b>Related Probes</b>
1. When do people in this community decide to go to bank to transact?	<ul style="list-style-type: none"> <li>▪ How do you make decision for doing the transaction? Are you free to go anytime you wish to?</li> <li>▪ Do you plan for day of transaction well in advance?</li> <li>▪ Do you club this with other objectives (going to market/paying bill)</li> <li>▪ 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?</li> </ul>
2. What difficulties people in this community face in transacting?	<ul style="list-style-type: none"> <li>▪ 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</li> <li>▪ What do you do when you reach bank? For each activity tell us the problems you face.</li> </ul>

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

**Annexure II: Cost Mapping Tool**

<p><b>Welcome</b></p> <ul style="list-style-type: none"> <li>▪ Thank you for coming – we are grateful for your time.</li> <li>▪ 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.</li> <li>▪ We are trying to understand what channels you use for savings and your experience with it.</li> <li>▪ 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.</li> <li>▪ We again want to tell you that we are not from any bank or Government office.</li> <li>▪ As a first step we should introduce ourselves. My colleague will prepare the name-tags to help us remember your names.</li> </ul> <p><b>Warm up Question:</b></p> <ul style="list-style-type: none"> <li>▪ What is your name and your occupation?</li> <li>▪ For how long you have been living in this area?</li> <li>▪ How far is the nearest bank branch?</li> <li>▪ How often you visit the bank branch?</li> </ul>
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**Listing Activities**

- *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,

<p>would have gone for a movie or would have slept, unless moderator is very sure.</p> <ul style="list-style-type: none"> <li>▪ Observe and record if this is perceived as a cost by respondent.</li> <li>▪ How many numbers of days you work during more work days?</li> <li>▪ How many numbers of days you work during lean period of work days?</li> <li>▪ How much do you earn per day during lean period and more work period?</li> <li>▪ If you are not able to work for half day, how much you are still able to earn with remaining half days' work?</li> <li>▪ Collect similar details as per work profile</li> </ul>
<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ The exercise shall ideally take 35-45 minutes.</li> <li>▪ There are obvious issues in using this tool with a group since within the group different participants 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.</li> </ul>

### 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.



**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 (Refer to standard description to be used). 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 participants 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 participants 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 participants 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 refer to 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 eg: of Rs50/100/500/1000) 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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