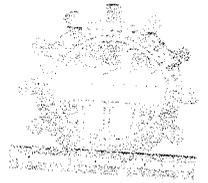
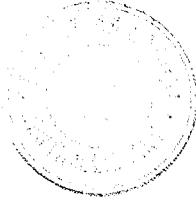


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**A STUDY ON TECHNOLOGICAL IMPACT OF BUSINESS CORRESPONDENCE  
MODEL IN INDIAN BANK - PASUR BRANCH**

by

**K.GOKUL**

**Reg. No. 1120400031**

Under the guidance of

**Ms S.Sangeetha- Asst Professor (SRG)**

**A PROJECT REPORT**

submitted

In partial fulfillment of the requirements

for the award of the degree

of

**MASTER OF BUSINESS ADMINISTRATION**

**Department of Management Studies**

**Kumaraguru College of Technology**

(An autonomous institution affiliated to Anna University, Chennai)

**Coimbatore - 641 049**

**May, 2013**



### BONAFIDE CERTIFICATE

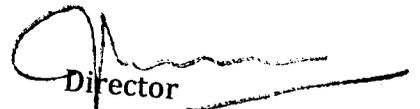
Certified that this project report titled, "A Study on technological Impact of Business Correspondence Model in Indian Bank Pasur branch" is the Bonafide work of **Mr. K.Gokul**, who carried out the project under my supervision. Certified further, that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

  
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Submitted for the Project Viva-Voce examination held on 09.05.2013

  
Internal Examiner

  
External Examiner



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24.03.2013

TO WHOMSOEVER IT MAY CONCERN

This is to certify that Mr.K.GOKUL RegNo.1120400031 Final year M.B.A.student in KCT Business School,Coimbatore had undergone his Project Work in Our Indian Bank,Pasur Branch on the topic "Study on Technological Myth in Business Correspondents Model-Financial Inclusion" for a period of 3 months from 07.02.2013.

We certify that his character and conduct during the aforesaid period is good.

Yours Faithfully

  
BRANCH MANAGER



**DECLARATION**

I, hereby declare that this project report entitled as **“A Study on technological Impact of Business Correspondence Model in Indian Bank - Pasur branch”**, has undertaken for academic purpose submitted to Anna University in partial fulfillment of requirement for the award of degree of Master of Business Administration. The project report is the record of the original work done by me under the guidance of Ms S.Sangeetha-Asst Prof (SRG) from 28.1.2013 to 20.4.2013 during the academic year 2012-2013.

I, also declare hereby, that the information given in this report is correct to the best of my knowledge and behalf.

**Place: Coimbatore**



**Date: 09.05.2013**

**(K.GOKUL)**

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## TABLE OF CONTENTS

Chapter		Page No.
<b>CHAPTER 1: INTRODUCTION</b>		
1.1	Introduction to the study	1
1.2	Company profile	15
1.3	Industry Profile	20
1.4	Statement of the problem	26
<b>CHAPTER 2: REVIEW OF LITERATURE</b>		
2	Review of literature	27
<b>CHAPTER 3: RESEARCH METHODOLOGY</b>		
3.1	Type of research	30
3.2	Objectives of the study	30
3.3	Data Collection Method and Sources of Data	31
3.4	Population and Sample Size	31
3.5	Tools and Techniques used for Study	32
3.4	Limitation of the study	32
<b>CHAPTER 4: DATA ANALYSIS &amp; INTERPRETATION</b>		
<b>CHAPTER 5: FINDINGS, SUGGESTIONS AND CONCLUSIONS</b>		
5.1	Findings	70
5.2	Suggestions	72
5.3	Conclusion	73
	Bibliography	74
	Annexure	75

## LIST OF TABLES

Table No.	Title	Page No.
4.1.1	Table showing the Age Classification of respondents	33
4.1.2	Table showing the Classification of respondents based on qualification	35
4.1.3	Table showing the Classification of respondents based on Annual Income	37
4.1.4	Table showing the Classification of respondents based on Types of Services	35
4.1.5	Table showing Classification of respondents based on Service Charges benefit	41
4.2.1	Table showing the type of cost advantage availed by the respondents comparatively with other means of accessing funds or services	43
4.2.2	Table showing Different Special Advantages availed by the respondents in Business Correspondence Model	45
4.2.3	Table showing the respondents opinion on Different Utilities Involved in Business Correspondence Model	47
4.2.4	Table showing the respondents opinion on Different Benefits Involved in Business Correspondence Model	49
4.2.5	Table showing Contributions of Business Correspondents' to the respondents based on various attributes	51
4.3	Table showing Age with Type of service - Cross tabulation	53
4.4	Table showing Qualification with Type of service - Cross tabulation	54
4.5	Table showing Age groups with Cost Variables - Cross tabulation	55
4.6.1	Table showing the impact of Bank's per day amount limit over the Travelling Cost incurred by the respondents to avail the funds	56
4.6.2	Table showing the impact of availability of amount with the Business Correspondents' on Travelling Cost incurred by the respondent in availing the funds	57
4.6.3	Table showing the impact interest charges on loans availed from the Business Correspondents' on Travelling Cost incurred by the respondent in availing the funds	58
	Table showing the impact of the Transaction cost incurred	59

4.6.5	Table showing the impact of per day surplus amount with the Business Correspondents' over the Transaction Cost incurred by the respondent in availing the funds	60
4.6.6	Table showing the impact of interest charged over the loan availed by the respondent over the transaction cost	61
4.6.7	Table showing the impact of Double credit/ debit of amount over the Banks per day amount limit	62
4.6.8	Table showing the impact of Double credit/ debit of amount over the Banks surplus amount maintained by the Business Correspondents'	63
4.6.9	Table showing the impact of Double credit/ debit of amount over the benefits	64
4.6.10	Table showing the impact of Banks per day amount limit over the Commissions paid by the respondent	65
4.6.11	Table showing the impact of surplus amount maintained by the Business Banks Correspondents' over the Commissions paid by the respondent	66
4.6.12	Table showing the banks interest charge over the Commissions paid by the respondent	67
4.7	Table showing the responses of Business correspondents under different dimensions	68

### LIST OF CHARTS

Chart/ Figure No.	Title	Page No.
3.4	Sampling Scheme	31
4.1.1	Chart showing the Age Classification of respondents	33
4.1.2	Chart showing the Classification of respondents based on Qualification	35
4.1.3	Chart showing the Classification of respondents based on Annual Income	37
4.1.4	Chart showing the Classification of respondents based on Types of Services	39
4.1.5	Chart showing the Classification of respondents' based on Service Charges benefit	41
4.2.1	Chart showing the type of cost advantage availed by the respondents comparatively with other means of accessing funds or services	43
4.2.2	Chart showing Different Special Advantages availed by the respondents in Business Correspondence Model	45
4.2.3	Chart showing the respondents opinion on Different Utilities Involved in Business Correspondence Model	47
4.2.4	Chart showing the respondents opinion on Different Benefits Involved in Business Correspondence Model	49
4.2.5	Chart showing Contributions of Business Correspondents' to the respondents based on various attributes	51

## **CHAPTER-1**

### **INTRODUCTION**

#### **1.1 Introduction to the Study:**

In Merton Miller's (1986) view on financial innovation the period from the mid- 1960s to mid-1980s has been a critical and persistent in economic landscape. In the years since Miller's 1986 piece, financial markets have continued to produce a multitude of new products, including many new forms of derivatives, alternative risk transfer products, exchange traded funds, and variants of tax-deductible equity. A longer view suggests that financial innovation-like innovation elsewhere in business-is an ongoing process whereby private parties experiment to try to differentiate their products and services, responding to both sudden and gradual changes in the economy. Surely, innovation ebbs and flows with some periods exhibiting bursts of activity and others witnessing a slackening or even backlash in American financial history. It is surprising that there is the relative dearth of empirical studies that specifically test hypotheses or otherwise provide quantitative analysis on financial innovation.

#### **Financial Innovation**

"Innovate" is defined in Webster's Collegiate Dictionary as "to introduce as or as if new with the root of the word deriving from the Latin word "Novus" or new. Broadly speaking, financial innovation is the act of creating and then popularizing new financial instruments as well as new financial technologies, institutions and markets. Innovation includes the acts of invention (the ongoing research and development function) and diffusion (or adoption) of new products, services or ideas. Financial Inclusion (FI) means and includes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low income groups in a given society. Access to finance by the poor and vulnerable groups is a prerequisite for achieving inclusive growth in any given economic system. The various financial services include credit, savings, insurance and payments and

remittance facilities FI depends on the social and economic conditions which vary from country to country.

Financial Inclusion Task Force in the UK has cited three priority areas requiring serious attention: access to banking, access to affordable credit, and access to free face-to-face money advice. ICRIER sponsored study conducted by Mandira Sharma culminated in developing an index for financial inclusion. As per the findings India ranks 21 with 3 basic dimensions: Accessibility, Usage and Depth. The Reserve Bank of India (RBI) has noticed that more than eighty percent of adult rural Indians (245 million, roughly the size of US population) do not hold a bank account (Nair et al., 2006).

The Reserve Bank of India has mandated that banks extend their outreach taking banking service to the common man (Reserve Bank of India, 2005) Origin of Business Correspondents': Extending banking to the rural areas where there are no bank branches, consistent power supply or communication links such as telephones or Internet is a daunting task. This calls for newer approaches in taking banking to remote regions. One solution that RBI has come up with is to enable customer's intermediate banking facilities through business correspondents' who act as agents on behalf of banks. As law mandates, any transaction on an account involving cash has to be made within the physical premises of the bank.

The Reserve Bank of India has permitted the appointment of business correspondents' who have the authority to accept deposits or make cash payments when customers would like to withdraw or deposit money from or to their accounts at locations other than bank premises. Instead of opening full blown brick and mortar bank branches in remote districts (an expensive proposition) it is proposed that with the help of modern information technology and managerial capabilities of business correspondents' banking functionalities could be extended to remote regions.

### **Origin of Business Correspondents' Model:**

In our country, a pioneering step was taken by RBI in January 2006 by passing the Business Correspondents' guidelines opening the doors of this model in the country. The year 2005-06 can be considered a watershed in the annals of Indian Banking as it marked the beginning of new approaches to rural banking. Two significant announcements were made by the Finance Minister in his Budget Speech 2005-06. The first one was requesting the Reserve Bank of India (RBI) to examine the issue of allowing banks to adopt 'agency model' by using the infrastructure of civil society organizations, rural kiosks and village knowledge centers.

The second one was advising banks to consider appointing Micro-Finance Institutions (MFIs) as 'Business Correspondents' to provide transaction services on their behalf. The RBI then constituted an Internal Group<sup>8</sup> FINO as an entity was created to service entities / customers around the Business Correspondents' model and market has adopted this model well. There are several banks leveraging this model in the country thus promoting the goal of financial inclusion. In fact the same model is also being promoted and adopted by the insurance companies and regulator. This model can be made for this segment provided multiple products such as Banking, Micro Finance Business and Insurance are involved and it would be much more sustainable and cost-effective also.

### **FINO (Financial Information Network & Operations) works on four important tenets:**

1. Financial inclusion which encompasses not just savings but also remittances and Insurance,
2. The architecture works on the Business Correspondents' model using technology to cover operational and financial risks,
3. Looking for comprehensive solutions to hurdles in MF,
4. FINO looks forward to working with mainstream technology and scaling up its market base to bring down costs.

### **Business Correspondence Model: Eligible Entities and Scope of Activities**

Under the "Business Correspondent" Model, NGOs/ MFIs set up under Societies/ Trust Acts, Societies registered under Mutually Aided Cooperative Societies Acts or the Cooperative Societies Acts of States, section 25 companies, registered NBFCs not accepting public deposits and Post Offices may act as Business Correspondents. Banks may conduct thorough due diligence on such entities keeping in view the indicative parameters of the Report of the Internal Group appointed by Reserve Bank of India to examine issues relating to Rural Credit and Micro-Finance. In engaging such intermediaries as Business Correspondents, banks should ensure that they are well established, enjoying good reputation and having the confidence of the local people. Banks may give wide publicity in the locality about the intermediary engaged by them as Business Correspondent and take measures to avoid being misrepresented. In addition to activities listed under the Business Facilitator Model, the scope of activities to be undertaken by the Business Correspondents' will include

- (i) disbursal of small value credit,
- (ii) recovery of principal / collection of interest,
- (iii) collection of small value deposits,
- (iv) sale of micro insurance/ mutual fund products/ pension products/ other third party products and
- (v) Receipt and delivery of small value remittances/ other payment instruments.

The activities to be undertaken by the Business Correspondents' would be within the normal course of the bank's banking business, but conducted through the entities indicated above at places other than the bank premises. Accordingly, in furtherance of the objective of increasing the outreach of the banks for micro-finance, in public interest, the Reserve Bank hereby permits banks to formulate a scheme for using the entities.

## **About MicroATM Device:**

### **Objectives of microATM standards**

These microATM standards have been developed to:

#### **1. Bring down the cost of integrating microATMs into banks' networks**

Integrating different devices into a bank's IT system can be a long and arduous process. These standards seek to ensure that banks need only set up a single backend IT system or use their existing systems.

#### **2. Maximum compatibility with existing banking systems**

Wherever possible, the messaging protocols and transaction and settlement mechanisms of the microATM have been based on processes in use in the banking industry today. ON-US transactions can be processed internally within a bank, whereas OFF-US transactions will be routed through a multilateral switch for payment and settlement. The Aadhaar will be used only for identification and authentication.

#### **3. Ensure secure and transparent transactions**

Agents operating from outside a bank branch are not subject to the same level of scrutiny as bank tellers and thus increased attention must be paid to ensure that transactions conducted by branchless banking agents are secure and easy to monitor. The microATM standards ensure that transaction information is appropriately encrypted at the application layer (for storage and transmission). Transactions can be traced for purposes of monitoring fraud and dispute resolution.

#### **4. Ensure a more uniform customer experience**

Customer trust and acceptance of microATMs will be key to the success of the micro-payments platform. These standards ensure a consistent customer experience across end devices thus helping to build this trust.

## 5. Reduce agent training needs

A standardized end device will allow banks to develop a common set of training materials for all agents regardless of what type of end device the agent uses.

### The microATM standards include:

- **Basic Functional Requirements:**
  - The basic functions that the microATM should support and the basic performance levels that the microATM should achieve are described. This list of functions that the microATM supports is not intended to be comprehensive: device manufacturers may build in additional functionality to the microATMs.
- **Basic Hardware:**
  - Some basic elements of the microATM hardware have been standardized to ensure that the microATM is capable of capturing biometrics according to UIDAI specifications, connecting to banks' back-ends, and providing customers with a basic receipt and voice confirmation of their transaction.
- **Messaging:**
  - The sequence diagrams for all message types are shown for illustration purposes. This is largely to clarify the system architecture. Detailed message formats are described in the report of the RBI appointed working group on connectivity issues.

The microATM standards do *not* include detailed requirements for the hardware or the choice of connectivity (e.g. – GPRS, PSTN, CDMA, Ethernet, WiFi etc.).



The communication between the different entities involved in processing microATM trans-actions is described below:

- **MicroATM to Acquiring Bank:**

The message formats for this leg of the transaction are not standardized, but they must be aligned with the need for processing OFF-US transactions. The acquiring bank has the freedom to bring the messages to their switches using message formats and connectivity methods of their own choice. The acquiring bank may operate the microATM switch by itself, or outsource the operation to a service provider.

- **Multilateral switch to acquiring and issuing banks**

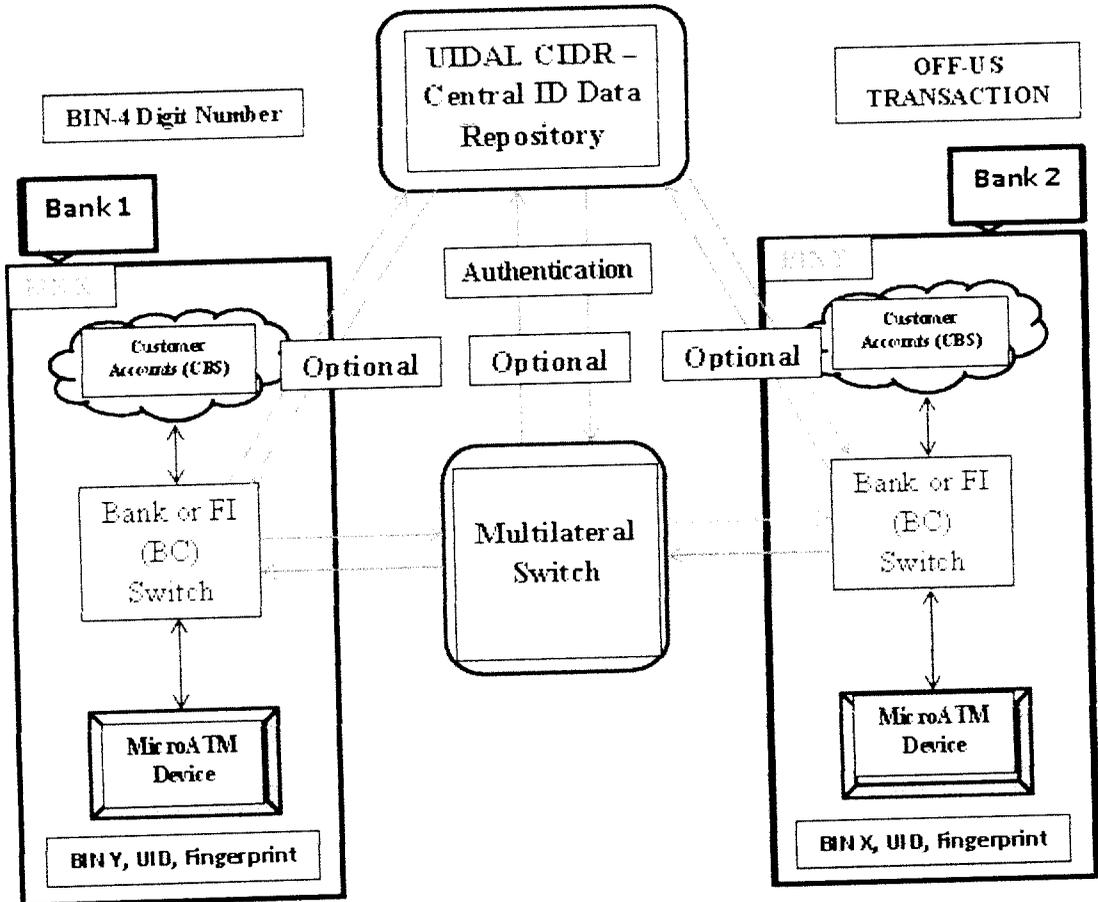
The message formats for this leg will be standardized by the RBI appointed working group on connectivity issues for Aadhaar-based financial inclusion. All participating banks will need to conform to these standards and the relevant procedural guidelines.

- **Aadhaar authentication**

Any party sending authentication requests to UIDAI will need to conform to message formats and device specifications as specified by UIDAI.

The system architecture described here is for basic customer-facing banking transactions. The system architecture for Electronic Benefit Transfers (EBTs) is not discussed here. However, this document recognizes the fact that EBTs will be delivered to beneficiaries using their Aadhaar Number. The beneficiary will use the microATM to operate the account where these funds are deposited. Over and above the basic transactions described here, banks may also provide other services and products to their customers using the microATM.

## Use of Bank Identification Number (BIN) for routing of transactions



**Figure 2: OFF-US transactions**

In the case of OFF-US transactions in which a customer conducts a transaction at an agent attached to a bank other than the customer's own bank, the customer's Aadhaar number will not be sufficient for the transaction to be processed correctly. The acquiring bank must also know which bank the customer's account is with so that the transaction request may be forwarded appropriately. For this reason, all customers will be provided a BIN, which will prefix the Aadhaar number for all OFF-US transactions. The BIN should be an international ISO BIN, which are 6 digits long.

## **The roles of various participants**

The roles of various participants in the deployment of a microATM network are as follows:

### **1. Issuing bank**

The issuing bank is the bank that owns the customer relationship, and stores account details in a Core Banking System (CBS). The customer banks with the issuing bank, inter-acts with the bank for any queries, and the issuing bank serves as the touch point for dispute resolution. It authorizes transactions and carries out all the four transactions that the customer initiates.

### **2. Acquiring bank**

The acquiring bank is the bank that owns the Business Correspondents' relationship at the transaction point.

### **3. Business Correspondent'**

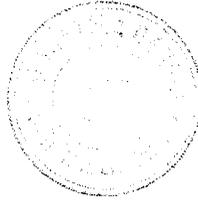
A Business Correspondent is appointed by the bank, and provides access to basic banking services using the microATM. These include the ability to take deposits, dispense cash for withdrawals, process funds transfers, or answer balance enquiries. Banks may either appoint an individual Business Correspondents' or a corporate Business Correspondents' who further appoints sub-agents.

### **4. Technology Service Provider (TSP)**

The Technology Service Provider provides technology to the Acquiring Bank to support Business Correspondents' operations.

### **5. Multilateral switch**

The multilateral switch is used in the case of OFF-US transactions to provide interoperability. It routes transactions from the acquiring bank to the issuing bank, and routes the authorization, settlement and reconciliation messages. An OFF-US transaction in the case of funds transfer may end up involving multiple banks: the acquiring bank, the issuing bank, and the recipient's bank. This multilateral switch may be operated by NPCI and other interbank switch vendors.



## 6. UIDAI

UIDAI issues unique Aadhaar numbers to all residents in the country, and provide means to securely authenticate them. The Aadhaar platform will support the micropayments platform in the following ways:

- UIDAI provides methods for secure authentication of an individual, using the Aadhaar number and demographic data, biometrics, OTP, etc.,
- Secure authentication provided by the UIDAI facilitates interoperability among microATM devices operated by different banks, much like the existing ATM net-work;
- Aadhaar number is a unique number that an individual has for life. It is globally addressable, much like email and mobile numbers. Unlike mobile numbers and email though, a person's Aadhaar number will not change over time. Thus it is natural to use Aadhaar number as an identifying and addressing mechanism for all microATM transactions, specifically funds transfer where the Aadhaar number of the sender, receiver and Business Correspondents' are involved in a transaction.

## 7. IBA, IDRBT, NPCI, UIDAI

IBA, IDRBT, NPCI, and UIDAI are the custodians of the microATM standards.

## 8. RBI

RBI is the regulator of payment systems, and will regulate the microATM payments plat-form as well.

### **Charge slip contents**

Each charge slip for deposit, withdrawal, and balance enquiry transactions should contain the following items:

1. Bank name and logo
2. Service name
3. BUSINESS CORRESPONDENTS' name
4. Operator location
5. Operator identifier
6. Device identifier (TID - see functional requirement R4 (8))
7. Systems Trace Audit Number (STAN - see functional requirement R5 (8))
8. Customer name
9. Retrieval reference number (RRN)
10. Last 6 digits of customer's Aadhaar number (First 6 digits of customer's Aadhaar number should never be printed on charge slip)
11. Transaction date and time
12. Transaction type (e.g. deposit, withdrawal, balance enquiry, funds transfer)
13. Transaction amount
14. Account balance

## Hardware requirements

### Device specifications:

Component	Minimum Requirement
<b>Biometric scanner</b>	As per specifications in section 4.2.
<b>Connectivity<sup>1</sup></b>	The device must provide for two channels (of service provider's choice) of network connectivity.
<b>Security</b>	2048-bit PKI, 256-bit AES, Base64, SHA-256 for full compliance with Aadhaar Authentication API specifications (9).
<b>Non-volatile storage</b>	Must be capable of storing audit trails of at least 1000 transactions.
<b>Display</b>	Must be capable of displaying last 10 transactions without scrolling horizontally. Each transaction must display at least the date, type, and amount.
<b>Printer</b>	Must be able to print out transaction status and a mini-statement of at least the last 10 transactions. Receipts and other printed items must be legible for at least two months from the date of printing. <sup>2</sup>
<b>Battery</b>	Replaceable battery, with minimum 4 hours battery life.
<b>Power Adaptor</b>	AC/DC Adaptor with surge protection.
<b>Environment</b>	Operating temp: 0°C to 50°C. Storage not including battery: 0°C to 55°C.
<b>Magstripe reader and PIN pad</b>	As per specifications in Section 4.3 (2) (3).
<b>Speaker</b>	A facility should be provided for voice confirmation of the trans-action.
<b>GPS<sup>3</sup></b>	Industry standard 16 channel NMEA compliant GPS support.
<b>QR code reader <sup>3</sup></b>	Ability to read QR code from the Aadhaar letter, of

	size 21mm x 21mm, 600 DPI, and Error Correction Code Level M (Medium).
<b>EMV capability (Optional)</b>	EMV Level 1 and Level 2 certification as per Section 4.4.
<b>NFC reader (Optional)</b>	Contactless smart card readers compliant to ISO 14443 A and B cards (for all four types of NFC tags) and ISO/IEC 18092.

1. Currently optional. Two channels of connectivity are mandatory for devices put into service from Apr 1, 2013 onwards (eg. Dual SIM capability, GPRS + CDMA, GPRS + broadband, GPRS + PSTN, etc.)
2. In the case that a thermal printer is used, the paper should be of sufficient quality for this requirement to be met.
3. Currently optional. Mandatory for devices put into service from Apr 1, 2013 onwards.

## 1.2 Company Profile

Indian Bank is an India-based bank. The Bank's business segments are Treasury, Corporate/Wholesale Banking, and Retail Banking and Other Banking operations. Personal loans offered by the Bank include home loan, automobile loan, personal loan, and loan against National Savings Certificate/Kisan Vikas Patra/Life Insurance Corporation policy, mortgage loan, education loan, jewel loan and others. The Bank offers three card variants under Global Credit Cards-IB Gold, Classic Card under Personal Card Segment and IB Visa Business Card for Business entities. As of March 31, 2012, the Bank operated 1,955 branches, comprising 520 Rural, 549 Semi Urban, 500 Urban and 386 Metropolitan branches. The Bank has three foreign branches in Singapore, Colombo and Jaffna. As of March 31, 2012, the total number of automated teller machines (ATMs) was 1280, which included 357 offsite ATMs and customers could access more than 89,000 ATMs in the shared network.

Indian Bank was established a part of Swadeshi movement on 15 August 1907. It provides a wide spectrum of banking products and services. It has network of 1,577 branches spread all over India. On global landscape, it has a branch presence in Singapore and Colombo. It also has correspondent banks in 70 countries. Indian Bank has subsidiaries like Indbank Merchant Banking Services, IndBank Housing and IndFund Management.

### Business

#### i. Personal Banking

Under this it offers fixed deposits, saving accounts, recurring accounts, saving accounts for kids and senior citizens, internet banking, ATM facility, debit/credit cards, home loans, personal loans.

#### ii. NRI services

It offers banking products and services to NRI clients such as saving accounts, remittance facilities, forex advisory services, home loans, etc. Indian Bank provides cash management services (CMS), electronic funds transfer schemes. It also provides seven-day banking at few of its branches.

## Awards

Indian Bank received the Skoch Challenger Award for its financial inclusion initiatives in Pondicherry and Dharavi. The bank bagged first prize for excellent performance under SHG-Bank Linkage Programme conducted by NABARD. Three branches of Indian Bank located in Tamil Nadu were awarded best performing commercial bank.

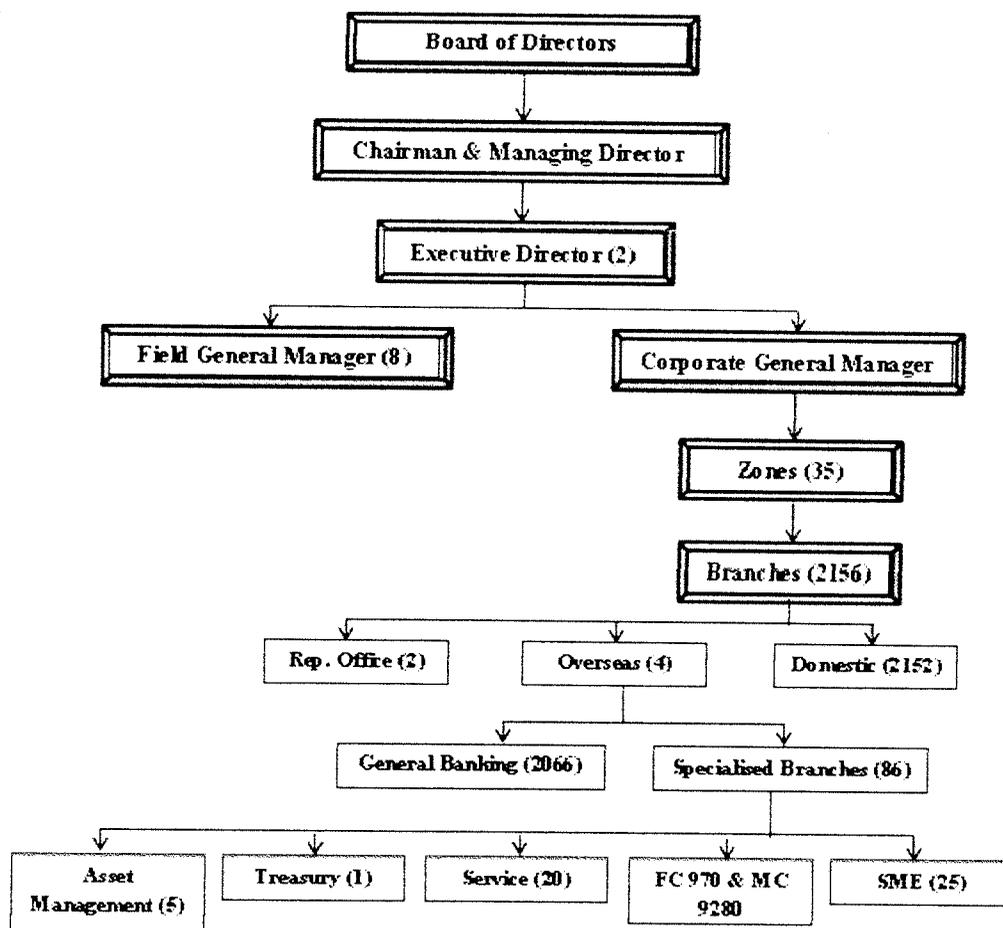
## Outlook

Indian Bank is considering setting up ten branches in rural areas to cater needs of self help groups (SHGs) in Tamil Nadu.

## Key Executives:

S.No	Name	Designation
1	T M Bhasin	Chairman
2	T M Bhasin	Managing Director
3	Amarjit Chopra	Part Time Non-Official Director
4	Sanjay Maken	Part Time Non-Official Director
5	Butchi Rami Reddy	Part Time Non-Official Director
6	N Krishna Mohan	Nominee Director - RBI
7	Rajeev Rishi	Executive Director
8	B Raj Kumar	Executive Director
9	Narendra Kumar Agrawal	Shareholders Director
10	Chintaman Mahadeo Dixit	Shareholders Director
11	M Jayanath	Workmen Director
12	Rajat Bhargava	Government Nominee Director
13	Amresh Kumar	Compliance Officer

## Organizational Structure:



## Products:

Product Name	Year	Month	Sales Quantity	Sales Value (Rs. Millions)	% of STO
Interest/Discount on advances/Bills	2012	03	0.00	94,238.69	0.00
Income on Investments	2012	03	0.00	27,903.25	0.00
Interest on balances with Reserve Bank of India and other inter-bank funds	2012	03	0.00	171.29	0.00

### **Leadership in Rural Development:**

- Under Financial Inclusion Plan, Indian Bank has been allotted with 1523 villages with population above 2000 ,all the 1523 villages have been provided with banking services as on 30thSeptember 2012 as below:
  - 1425 villages through Smart card based Business Correspondence Model
  - 53 villages through Brick and mortar branches /Banking Service Centre's
  - 45 villages through Mobile Branch/Van
- Pioneer in introducing SHG's and Financial Inclusion Project in the country
- Award winner for Excellence in Agricultural Lending from Honorable Union Minister for Finance
- Best Performer Award for Micro-Finance activities in Tamil Nadu and Union Territory of Puducherry from NABARD
- Established 45 specialized exclusive Microfinance branches called "Microsate" across the country to cater the needs of Urban poor through SHG/JLG concepts
- A special window for Micro finance viz., Micro Credit Kendras are functioning in 44 Rural/Semi Urban branches
- Harnessing ICT (Information and Communication Technology) for Rural Development and Inclusive Banking

**A pioneer in introducing the latest technology in Banking:**

- 100% Core Banking Solution(CBS) Branches
- 100% Business Computerization
- 1322 Automated Teller Machines(ATM)
- 24 x 7 Service through more than 99,242 ATMs under shared network
- Internet and Tele Banking services to all Core Banking customers
- e-payment facility for Corporate customers
- Cash Management Services
- Depository Services
- Reuter Screen, Telerate, Reuter Monitors, Dealing System provided at Overseas Branch, Chennai
- I B Credit Card Launched
- I B Gold Coin
- I B Prepaid Cards Launched (GIFT Card, International Travel Card)

### **1.3 Industry Profile:**

The micro-finance (MF) industry came into existence in the early 1980's with formation of self-help groups (SHG) to provide access to credit services to their members. The industry in India has witnessed a tremendous progress over the last 5 years and has achieved a CAGR of 96% on the outstanding portfolio in the same period. In the last 3 decades of evolution of microfinance industry, it has seen a paradigm shift in people's perception of the industry as an innovative methodology for poverty alleviation to a booming money minting industry. With a crackdown by Andhra Pradesh (AP) on the way the industry operates, the MF industry in the country is faced with stiff challenges ahead.

The micro-finance industry has seen tremendous growth in the last half decade and it should be appreciated for its innovative ways to cater to the marginalized poor people. However, its current region-centric growth leaves a huge scope for MFI to grow in other parts of India. Moreover, it can achieve tremendous growth if it follows a customer-centric flexible model instead of the current standardized product and service model, which acts as a barrier to expand in unknown territories. However, in order to achieve this growth, the expert believes that MFIs should be run only by profit organizations as there has been enough proof of this concept in the past. Also, MFIs should work with the government to gain the support of people and should not treat state actors as competitors. It is also believed that the industry is adequately regulated and there is no need to bring any new regulation. Instead the regulators should monitor the industry in an effective manner. The expert also believes that the MFIs will come out as mature players after the current crisis.

## **PORTER'S FIVE-FACTOR ANALYSIS**

Porter's Five-Factor analysis is a framework for industry analysis and business strategy development innovated by Michael E. Porter in 1979 of Harvard Business School. He uses the concepts developed in Industrial organization economics to derive Five Forces that determine the competitive intensity and therefore attractiveness of a market. Porter refers to these forces as the 'micro environment', in contrast with the more general term 'macro environment'. It consists of those forces close to a company that affect its ability to serve its customers. This analysis helps to assess and manage the long-term attractiveness of an industry. It is designed to explain the relationship between the five dynamic forces that affect an industry's performance. It includes three forces from 'horizontal' competition, which can be referred as 3 T's:

- The threat of substitute products,
- The threat of existing rivals,
- The threat of new entrants.

And the two forces from 'vertical competition', which can be referred as 2B's

- The bargaining power of suppliers,
- The bargaining power of customers.

## **THE THREAT OF SUBSTITUTE PRODUCTS**

Poor people need money for diversified purposes. Their needs are mostly limited to purchase of cattle, house repair, social ceremonies, household expenses, child birth, education, health, marriage, even for death, to cope with natural disasters like fire, flood, cyclones, manmade emergencies like war, bulldozing of dwelling houses, accident sickness, injury even for securing a job (which requires a lot of bribe now-a-days). In order to cater these needs the government emphasized the suppliers for more relevant means. Recently RBI announced that the housing finance and life insurance products have to be provided under microfinance category. So far the micro finance were provided for the above purposes also but not in the specific nomenclature. Already some

private and nationalized banks were providing insurance products. They are popularly known as bancassurance.

In this environment, the micro finance industry has to redesign its strategy for developing new products based on the needs of the poor. As the most of the beneficiaries are women, the financial services can be designed to cope up their widowhood. As a woman depends totally on the man of her family for her survival and sudden unexpected demise of the man puts the woman in the perils of social evils. The products have to be developed to suit the abandon old age couples and singles survival. The co-operative banks were already in the process, which extends credit for the above needs with a very low interest comparing to other suppliers. The private commercial banks like ICICI Bank Ltd., extend credit under the category of small traders group serves the same purpose. The private banks in order to get support from society and government very often redesign its product development strategy.

### **THE THREAT OF NEW ENTRANTS (THE NEW AVENUES)**

Currently in India the suppliers of micro finance may be classified into three categories as follows.

- Formal sector which includes banks
- Semi-formal group which comprises of MFIs and SHGs
- Informal providers who are not legal entities and includes money lenders, chit funds, pawn brokers, employers, relatives, Sanga and friends

In addition to the above, others like SEWA in Ahmadabad, Working Women's Forum in Chennai also have to be included in the list. Modern micro finance emerged in 1970s with a strong orientation towards private sector solutions. This resulted from the evidence that state-owned agricultural development banks had been a monumental failure, actually undermining the development goals they were intended to serve. The liberalization process opened doors to new and well-established foreign banks and financial institutions (now-a-

days the IT companies also join hands). They are main competitors at the present scenario and moneylenders are always there. As they enter into the market with the conditions imposed by the country, for their survival and to capture the market and to increase the market share, they implement such measures to satisfy themselves. Another important advantage for them is huge capital resources and because of this is channel of distribution is wide and deep.

The IT companies like ORACLE Corporations, IBM, and INFOSYS have a very detailed agenda on corporate social responsibility, which doesn't directly involves in money lending but provides all support, both technically and financially, for the developmental programmes in association with the local organizations. This reduces the operating cost are thus paves the way for new avenues.

Only the existing well-established firms like ICICI Bank with well-developed brand names can curtail the new entrants. The Government has to make legislative regulations and policy for the new entrants. The intention is not to create barriers to the entrants but to increase the operational efficiency of both existing and new entrants, which is the prime, need at the present scenario.

## **THREAT OF EXISTING RIVALS**

In general, intensity of competition depends upon the size of the firms in the game. As far as micro finance industry is concerned the major operators are SHGs directly or through MFIs/NGOs. The operators are mostly of same size and with same degree of competition. The intensity increases when an established organization enter into the market by acquiring a weak firm and implement promotional strategies to boost the situation like ICICI bank which acquired Bank of Madura and now exclusively look after the micro finance operations and floated the Micro credit Foundation of India.

In addition the former Bank of Madura's Chairman Shri. Thiyagarajan have started Madura Micro finance and do finance with the help of other commercial banks. Another crucial factor is the services demanded by the customer are similar in nature for example the loan demanded by a member of SHG doesn't exceed Rs.15, 000. Next important factor is the scope for further development. As per the

statistical picture micro finance has reached only to 30 million people, whereas 250 million people are below poverty line. Rs.1,00,000 per individual are needed for livelihood promotion hence trillion rupees are in requirement.

Penetration of life insurance services in rural India is less than 10%. Asset, health, weather and other general insurance services are still nascent. All these factors attract more operators in the game. Since NABARD act as a nodal agency for the micro finance services and which is the market leader in the present scenario regularizes the issues and problems in the competitive arena. This may minimize the intensity of competition. The government has to take such measures, which should increase the functioning of microfinance, in a healthy environment.

### **THE BARGAINING POWER OF CUSTOMERS**

In any industry, the bargaining power of customer depends upon the concentration of buyers. Here the buyers are in groups or clusters. For example SHG has better bargaining power than as an individual. They can exercise their power through the MFIs that they are affiliated. As an institution, they can influence the decisions of the supplier. Another factor is the availability of the substitute products and various sources for the same. Still in some remote villages, people feel the local moneylenders as their easy reachable source. Still there are people who perceive the MFI as one of the bank which provide money without security. In this environment first of all MFIs and government has to educate the public, particularly the illiterate and ignorant people about this new social phenomena. They should conduct literacy campaign that can give basic verbal knowledge to adults. Even the “Arivoli lyakam” can be undertaken by the MFIs.

### **THE BARGAINING POWER OF SUPPLIERS**

The bargaining power of suppliers (only the formal sources have been taken) of micro finance exclusively depends on the quality and service that they provide. As the aim of the micro finance movement is to improve the economic well-being and in turn the standard living of the poor they should concentrate on the integration of the financial needs of the poor households into a country's

mainstream financial system. The donors should focus on capacity building. They should offer other financial services like money transfer and guiding them in getting other financial services through other sources. Refinance from the government or government aided institution to the MFIs or through other sources should be increased. On the point of suppliers the processing cost should be reduced to the minimum. Of late getting a financial service by a SHG member from any of the affiliated bank is tough. This has to be mitigated. The donors have to design their services relatively unique like including HIV/AIDS program in their campaign. Only the expertise of the supplier and how they are delivering is the feature that can portray differently from other players.

#### **1.4 STATEMENT OF THE PROBLEM**

The major problem in availing the financial services from Business correspondent model is getting access to the technology/ device used by the business correspondents. Up-gradation in technology does not reach business correspondents at the earlier which creates lot of hindrances for service providers. The study focuses on the customers' comfort of using the new technology used by the Business correspondent model for accessing their financial services.

## CHAPTER-2

### REVIEW OF LITERATURE

**Arora, Sangeeta (2011)<sup>1</sup>** - Micro financing is a powerful instrument in the mission of 100 per cent Financial Inclusion of all the excluded lots in order to curb the curse of poverty, specifically in the rural areas. Banking sector has been emerging in a big way to strengthen the micro financing movement by providing a wide range of microfinance services to the rural poor. The present study delves into the role of the micro financing intervention to analyze how far it has been successful to meet the financial needs of the rural poor in terms of their preference for formal and informal sources of finance, their financial awareness and the level of satisfaction with regards to micro financing services. The study would also highlight the impact of such services on the ultimate borrowers.

**Srinivasan L (2012)<sup>2</sup>** - The Philadelphia Character proclaims: "Poverty anywhere constitute a threat to prosperity everywhere". Therefore, Financial Inclusion is necessary for the nation. For banks, financial inclusion initiatives offer a great opportunity. The words of the noted economist C.K.Prahalad were very prophetic: "There are posts of gold at the bottom of the pyramid!" Banks can see long-term profitability by looking at the bottom of the pyramid, rather than at the top, Financial Inclusion is not just a Corporate Social Responsibility but a viable business model too.

**Kuppan S (2012)<sup>3</sup>** - The main reason for financial exclusion is the lack of regular or substantial income. In most of the cases people with low income do not qualify for a loan. The proximity of the financial service is another fact. Most of excluded consumers are not aware of bank's products, which are beneficial for them. Getting

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<sup>1</sup> **Arora, Sangeeta (2011)** – "Microfinance Interventions and Customer Perceptions: A Study of Rural Poor in Punjab", DECISION Indian Institute of Management Calcutta, Volume 39 Number 1, April 2012

<sup>2</sup> **Srinivasan L (2012)** "Poverty anywhere constitute a threat to prosperity everywhere", September 2012

<sup>3</sup> **Kuppan S (2012)** "Financial inclusion is the lack of regular or substantial income", August 2012

money for their financial requirements from a local money-lender is easier than getting loan from the bank. Most of the banks need collateral for their loans. It is very difficult for a low income individual to find collateral for the bank loan. Moreover, banks give more important to meeting their financial targets. So they focus on larger accounts. It is not profitable for banks to provide small loans and make a profit. Financial inclusion is a great step to alleviate poverty in India. But to achieve this, the government should provide a less perspective environment in which banks are free to pursue the innovations necessary to reach low income consumers and still make a profit. Financial service providers should learn more about the consumers and new business models for them.

**Maiti, S.K, Banerji Sudipti, Majumder .A, Sarkar. A (2012)<sup>4</sup>** - There were numbers of traditional and informal ways of forwarding credit before the emergence of the SHGs. All of them provide very little attention to the question of both empowerment and sustainability. Along with this there was a casual approach towards the accountability of the credits leading to adverse impact on both repayments as well as further outreach. The conclusion that emerges from this study is that SHGs are playing a vital role in the rural empowerment, although most of SHSs are formed as a female group.

**Badgar P.K (2012)<sup>5</sup>** - More than 65% of the Indian population is still “unbanked” and does not have access to basic banking facilities. As a mission to sustain the economic development of the country it is imperative to these people to brought, initially, into the banking fold, which subsequently can act as a base for providing other services. The movement of financial inclusion has been one of the real hopes for inclusive growth. The poor and the excluded have successfully organized themselves in 25 lakh self help groups (SHGs). With the phenomenal growth

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<sup>4</sup> **Maiti, S.K, Banerji Sudipti, Majumder .A, Sarkar. A (2012)** “Role of SHG’s in the rural empowerment under Micro Finance”, Review on December 2012

<sup>5</sup> **Badgar P.K (2010)** “SHG linkage programme growth over the years with Indian Banking system”, Nov 2010

recorded by microfinance in recent years- 62% p.a in terms of number of unique clients and 88% p.a in terms of portfolio over the past five years and around 27 million borrowers accounts, the SHG linkage programme has achieved a phenomenal growth over the years but there is still a larger segment of society that is denied access to financial services.

**Singh Balbir (2012)<sup>6</sup>** - An inclusive growth will act as a source of empowerment and allow people to participate more effectively in the economic and social process. Banks that have global ambitions must meet local aspirations. Financial access will also attract global market players to our country that will result in increasing employment and business opportunities. India is quite hopeful that the targets set by banks and objective of achieving universal financial inclusion is attainable.

**Chikodikar Makarand( 2012)<sup>7</sup>** - The objective of “inclusive growth with stability” emphasized in the Eleventh Plan (2007-2012) is not possible without achieving universal Financial Inclusion. The concept of “inclusion” should be seen as a process of including the excluded as agents whose participation is essential in the very design of the development process, and not simply as welfare targets of development programmes. The banks will really have to gear up in the near future for successful implementation of Financial Inclusion plans. If they are successful in executing the plans, then India can be a role model to the world. Thus, Financial Inclusion is no longer a policy choice today but a policy compulsion.

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<sup>6</sup> **Singh Balbir (2012)** “An inclusive growth in the economic and social process“, Published article on Feb 2012

<sup>7</sup> **Chikodikar Makarand( 2012)** “Inclusive Growth with Stability” Emphasized in the Eleventh Plan (2007-2012)

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.1 Type of Research:**

This study is a Descriptive one which studies the usage of technology in accessing the financial services by the rural people.

#### **3.2 Objectives of the Study**

##### **Primary Objective:**

To study the technological impact of Business Correspondence Model adopted at Indian Bank - Pasur branch.

##### **Secondary Objective:**

- To study the cost involved in accessing Business Correspondence model.
- To analyses qualitative benefits and utilities pertaining to customers.
- To compare the technological advantage of Business Correspondence model over other models.
- To study the ease of accessibility and problems faced by Business correspondents' while using the device.

### 3.3 Data Collection Method and Sources of Data:

The study involves primary data. The primary data were collected mainly from the customers of rural area by conducting interview come questionnaire format. It also focused and collected questionnaire from Business Correspondents.

### 3.4 Population and Sample Size:

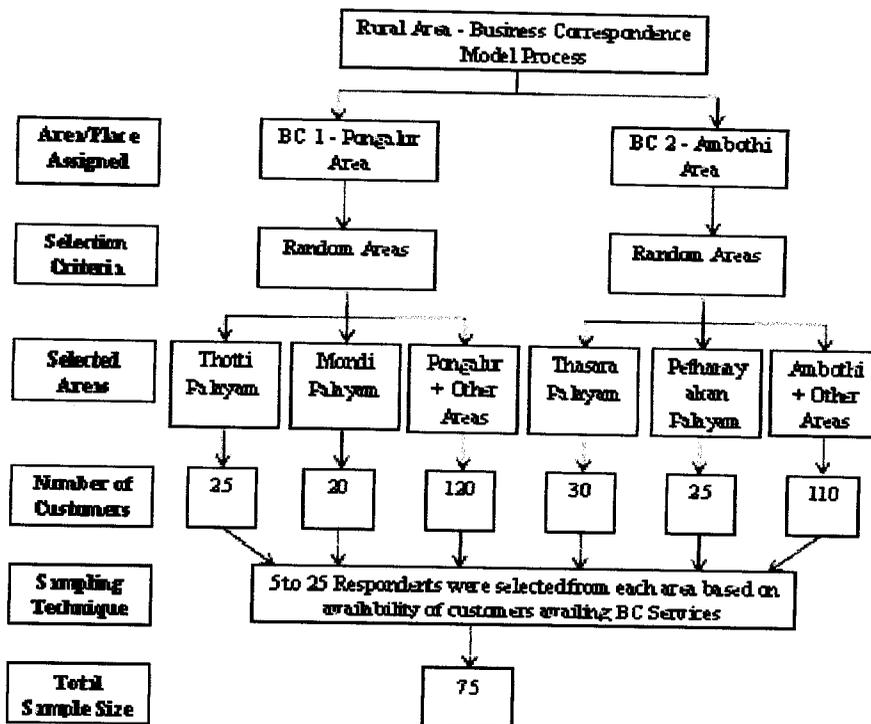


Figure 3.4: Sampling Scheme

### **3.5 Tools and Techniques used for Study:**

In order to analyze the data which are collected from the customers about the study, the following statistical tools have been used,

- Simple average analysis,
- Weighted average analysis,
- Cross tabs

### **3.6 Limitation of the Study:**

- The Study is limited to selected rural customers in the Pasur Panchayat areas
- The Sample size is limited and it may not give the opinion of all the customers
- The Period of study is 3 months (i.e.) February 2013 to April 2013

## CHAPTER 4

### DATA ANALYSIS AND INTERPRETATION

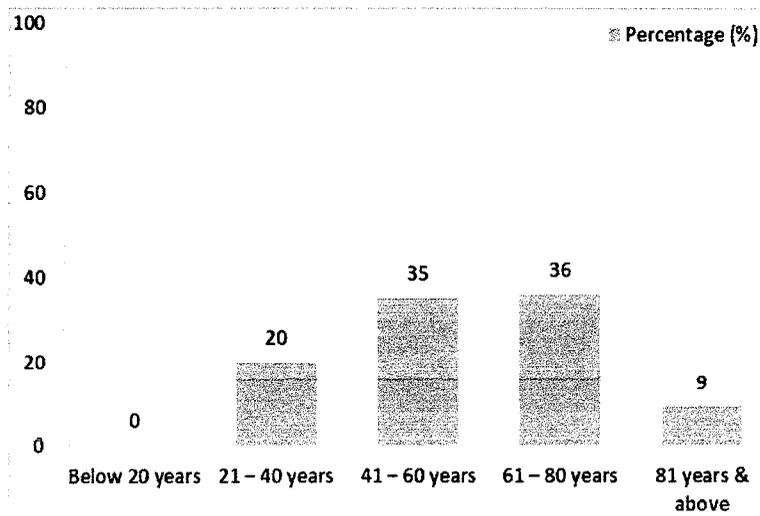
#### 4.1 Simple Percentage Analysis:

**Table No: 4.1.1**

**Table showing the Age Classification of respondents**

S.No	Age	No. of Respondents'	Percentage (%)
1.	Below 20 years	0	0
2.	21 – 40 years	15	20
3.	41 – 60 years	26	35
4.	61 – 80 years	27	36
5.	81 years & above	7	9
<b>Total</b>		<b>75</b>	<b>100</b>

Source: Primary Data



**Chart No: 4.1.1**

**Chart showing the Age Classification of respondents**

**Interpretation:**

The above table (Table 4.1.1) shows that 36% of the respondents' are under the age group of 61-80 years. The remaining 35% of the respondents' are under 41-60 years age group, 20% are under age group of 21-40 years, 9% are under age group of 81 & above years and none under below 20 years age group.

**Inference:**

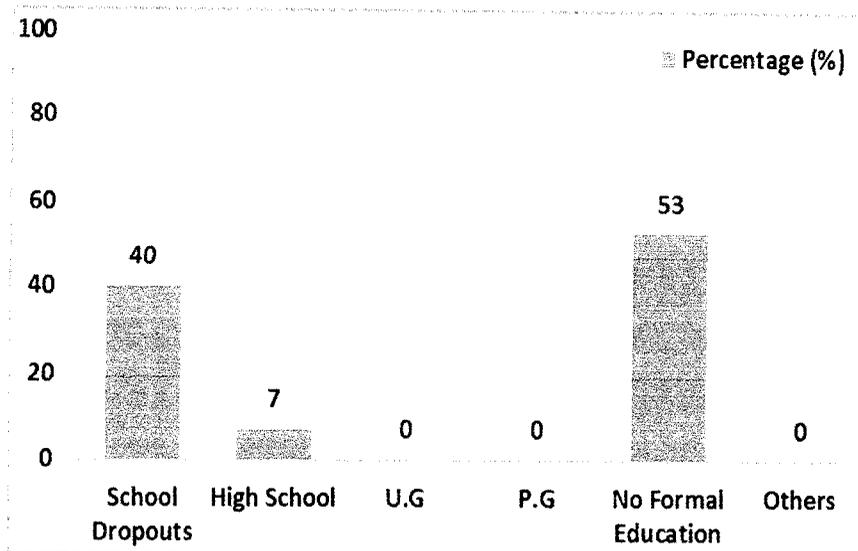
It is inferred that most of the senior citizens of rural India are the major parties availing the services of business correspondents.

**Table No: 4.1.2**

**Table showing the Classification of respondents' based on qualification**

S.No	Qualification	No. of Respondents'	Percentage (%)
1.	School Dropouts	30	40
2.	High School	5	7
3.	U.G	0	0
4.	P.G	0	0
5.	No Formal Education	40	53
6.	Others	0	0
<b>Total</b>		<b>75</b>	<b>100</b>

Source: Primary Data

**Chart No: 4.1.2**

**Chart showing the Classification of respondents' based on Qualification**

**Interpretation:**

The above table (Table 4.1.2) shows that 50% of respondents' have no formal education, whereas 40% of the total populations of the respondents' are school dropouts and 7% of the respondents' are studied till their high school. None of the respondents' who accessed the services from business correspondents' have pursued college education.

**Inference:**

It is inferred that most of the respondents' had no formal education.

Table No: 4.1.3

Table showing the Classification of respondents' based on Annual Income

S.No	Annual Income	No. of Respondents'	Percentage (%)
1.	Less than Rs.50,000	32	43
2.	Rs. 50,001 to Rs. 1,00,000	21	28
3.	Rs. 1,00,001 to Rs. 1,50,000	15	20
4.	Rs. 1,50,001 and above	7	9
Total		75	100

Source: Primary Data

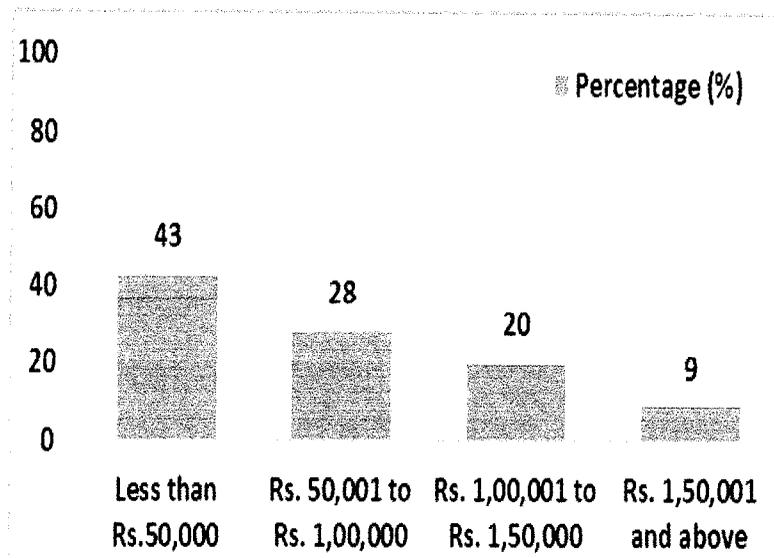


Chart No: 4.1.3

Chart showing the Classification of respondents' based on Annual Income

**Interpretation:**

The above table (Table 4.1.3) shows that 43% of the respondents' annual income is less than Rs.50,000, 28% of the respondents' have an annual income range between Rs.50,001 to Rs.1,00,000, 20% of the respondents annual income range between Rs.1,00,001 to Rs.1,50,000 and 9% of the respondents' annual income ranges is above Rs.1,50,000.

**Inference:**

It is inferred that most of the respondents' in rural area are having very less annual income.

Table No: 4.1.4

Table showing the Classification of respondents' based on Types of Services

S.No	Types of Service	No of Respondents'	Percentage (%)
1.	Old age Pension	34	45
2.	Housing Loan	3	4
3.	Family Pension	10	13
4.	Insurance Products	5	7
5.	Others	23	31
Total		75	100

Source: Primary Data

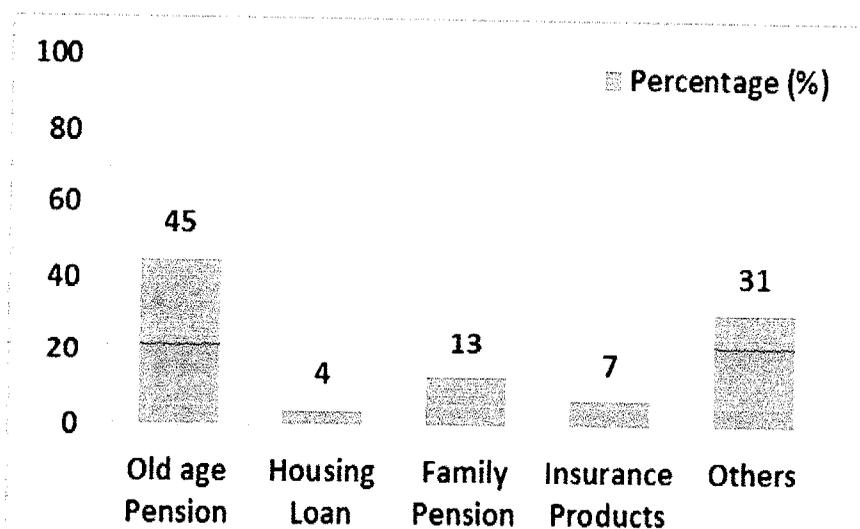


Chart No: 4.1.4

Chart showing the Classification of respondents' based on Types of Services

**Interpretation:**

The above table (Table 4.1.4) shows that 45% of the respondents' avail the old age pension from business correspondents'. The 31% of the respondents' are availing business correspondents' for accessing other services like widow pension, physically challengers pension etc., 13% are availing for getting family pension, 7% of the respondents avail business correspondence service for insurance related activities for beneficiary of insurance products and 4% of the respondents contact business correspondents' for getting housing loans.

**Inference:**

It is inferred that majority of the respondents' depend on business correspondents' to avail old age pension than any other services.

Table No: 4.1.5

Table showing Classification of respondents' based on Service Charges benefit

S.No	Ranges of Service Charges	No. of Respondents	Percentage (%)
1.	Below 1 %	10	13
2.	2%	53	71
3.	3%	11	15
4.	4%	0	0
5.	5 % and above	1	1
Total		75	100

Source: Primary Data

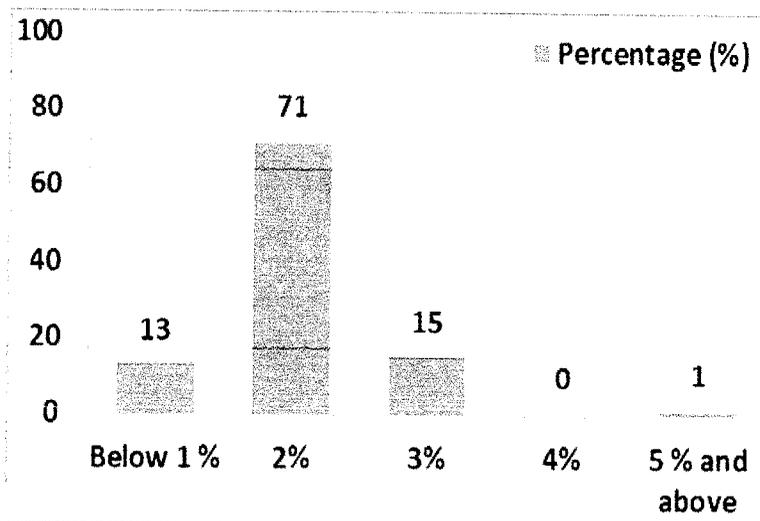


Chart No: 4.1.5

Chart showing the Classification of respondents' based on Service Charges benefit

**Interpretation:**

71% of the respondents' opined that they could save 2% service charges while using Business correspondents' rather than other mode of operations. 15% & 13% of the respondents' do get interest benefit of 3% & 1% respectively, only one respondent specified that he gets 5% benefit on interest.

**Inference:**

It is inferred that large junk of respondents' had saved in service charges to the extent of 2%.

## 4.2 Weighted Average Analysis:

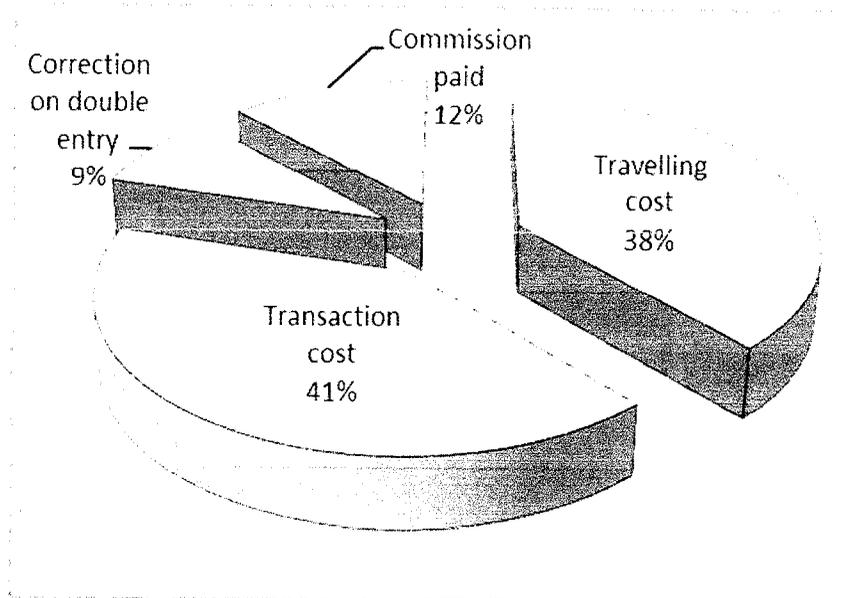
**Table No: 4.2.1**

**Table showing the type of cost advantage availed by the respondents comparatively with other means of accessing funds or services**

S.No	Costs Involved	Weightage					Total Respondents	Total Weightage	Weighted Average	Rank
		5*	4	3	2	1				
1.	Travelling cost	64	4	1	1	5	75	346	4.61	2
2.	Transaction cost	73	1	1	0	0	75	372	4.96	1
3.	Correction on double entry	0	0	0	1	74	75	76	1.01	4
4.	Commission paid	2	1	5	16	51	75	112	1.49	3

Source: Primary Data

5\*→Very Likely, Regularly; 4→Likely, Frequently; 3→Does not make a Difference, Occasionally; 2→Unlikely, Rarely; 1→Never



**Chart No: 4.2.1**

**Chart showing the type of cost advantage availed by the respondents comparatively with other means of accessing funds or services**

**Interpretation:**

The above table (Table 4.2.1) shows that 41% of the respondents' specified that Transaction cost is comparatively lower. 38% of respondents' specified as travelling cost. 12% of the respondents' specified as Commission paid and 9% specified as Correction on double entry problem as their extra costs involved.

**Inference:**

It is inferred that majority of respondents' have opined that the transaction cost is comparatively lesser in business correspondence than accessing the service through other means.

Table No: 4.2.2

Table showing Different Special Advantages availed by the respondents in Business Correspondence Model

S.No	Special Advantages	Weightage					Total Respondents	Total Weightage	Weighted Average	Rank
		5*	4	3	2	1				
1.	No frill A/c	62	12	1	0	0	75	361	4.81	4
2.	Time Reduction	66	7	2	0	0	75	364	4.85	3
3.	Device Acceptability	38	30	7	0	0	75	331	4.41	5
4.	Payment Slip	75	0	0	0	0	75	375	5	1
5.	Voice Generation	75	0	0	0	0	75	375	5	1

Source: Primary Data

5\* → Very Likely, Regularly; 4→Likely, Frequently; 3→Does not make a Difference, Occasionally; 2→Unlikely, Rarely; 1→Never

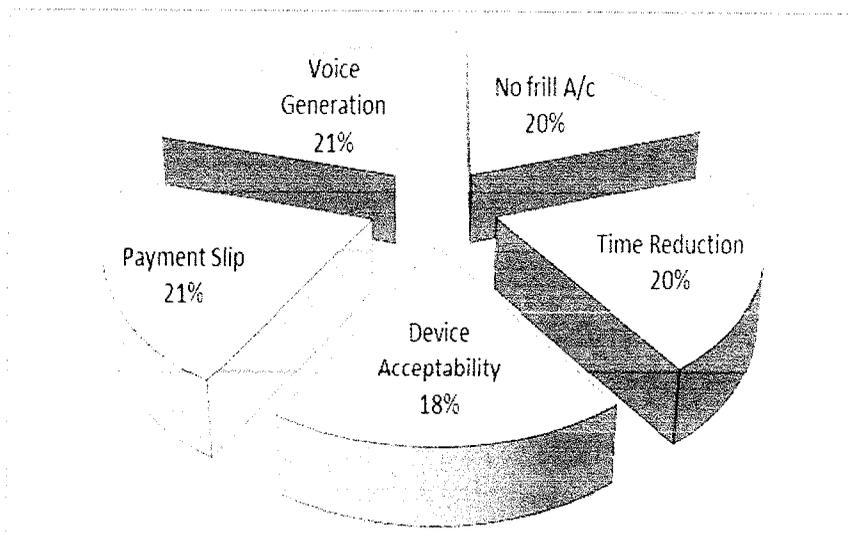


Chart No: 4.2.2

Chart showing Different Special Advantages availed by the respondents in Business Correspondence Model

**Interpretation:**

21% of respondents' specified that Payment slip and Voice Generation are the two major advantages of the respondents availing through microATM device. And 20% specified that Time reduction in accessing transaction and No frill A/c are other two special advantages availed by them and 18% specified Device Acceptability as their advantages of using Business Correspondents' devices.

**Inference:**

It is inferred that majority of the respondents' opined the Voice Generation and the payment slip generated by Business Correspondents' device are the major advantages enjoyed by them.

Table No: 4.2.3

Table showing the respondents opinion on Different Utilities Involved in Business Correspondence Model

S.No	Utilities	Weightage					Total Respondents	Total Weightage	Weighted Average	R
		5*	4	3	2	1				
1.	Other Payments	3	1	0	0	71	75	90	1.2	
2.	Accessing 2 Different Cards	7	1	2	9	56	75	119	1.59	
3.	Availability of Business Correspondents'	60	15	0	0	0	75	360	4.8	
4.	Types of services	34	3	10	5	23	75	245	3.27	
5.	Loans for agricultural purpose	1	5	9	25	35	75	137	1.83	

Source: Primary Data

5\*→Very Likely, Regularly; 4→Likely, Frequently; 3→Does not make a Difference, Occasionally; 2→Unlikely, Rarely; 1→Never

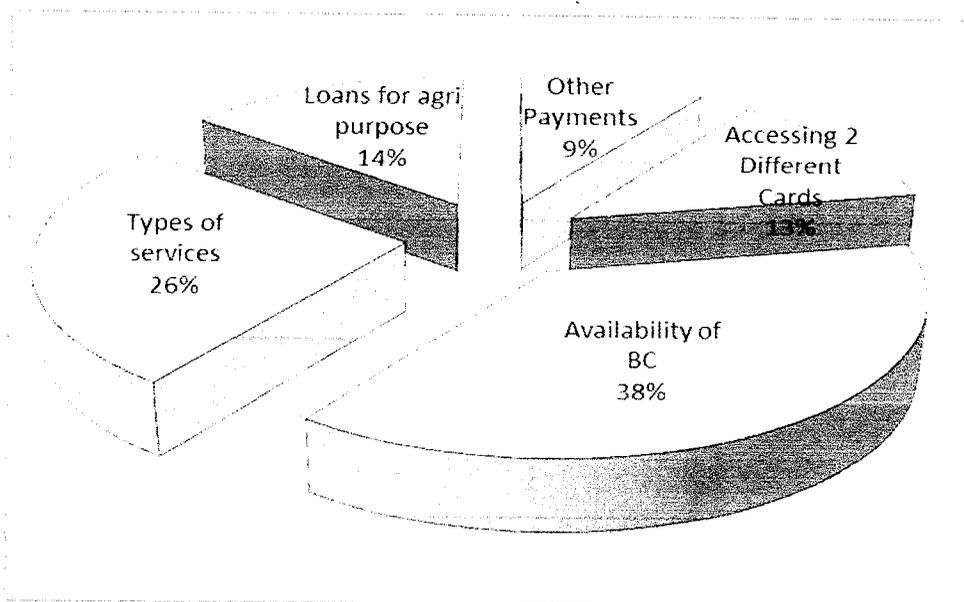


Chart No: 4.2.3

Chart showing the respondents opinion on Different Utilities Involved in Business Correspondence Model

**Interpretation:**

The above table (Table 4.2.3) shows that 38% of the respondents' opined that Availability of Business Correspondents' at the time of requirement had been the major utility. 26% of the respondents specified that Types of services offered by business correspondents' had been the major utility. 14% & 13% of respondents' specified that Loans for agricultural purpose and accessing two different cards for same account had been the major utility enjoyed by them and 9% specified other payments as their utility enjoyed by them.

**Inference:**

It is inferred that availability of business correspondents' at times of requirement had been the major utility for the respondents'.

Table No: 4.2.4

Table showing the respondents opinion on Different Benefits Involved in Business Correspondence Model

S.No	Benefits	Weightage					Total Respondents	Total Weightage	Weighted Average	Ran
		5*	4	3	2	1				
1.	Daily Limit	42	17	14	2	0	75	324	4.32	1
2.	Additional Money	22	5	15	3	30	75	211	2.81	3
3.	Range of interest	10	53	11	0	1	75	296	3.95	2

Source: Primary Data

5\*→Very Likely, Regularly; 4→Likely, Frequently; 3→Does not make a Difference, Occasionally; 2→Unlikely, Rarely; 1→Never

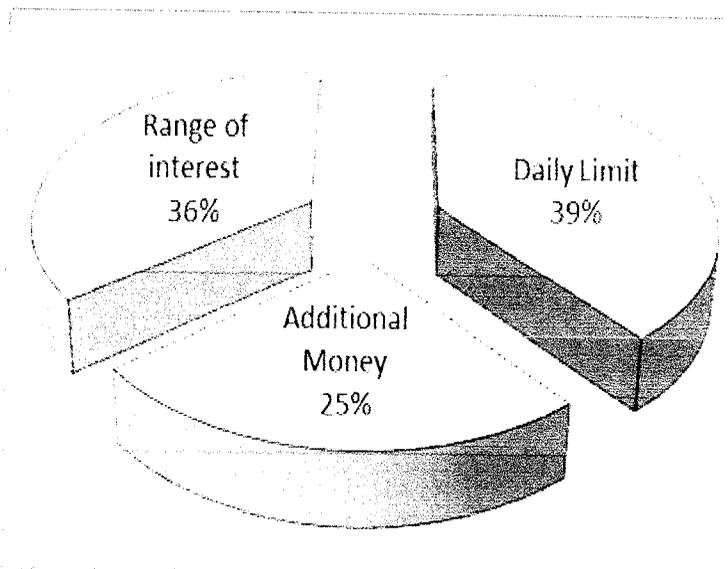


Chart No: 4.2.4

Chart showing the respondents opinion on Different Benefits Involved in Business Correspondence Model

**Interpretation:**

The above table (Table 4.2.4) shows that 39% of the respondents' opined that they are satisfied with the Daily limit of amount availing from Business Correspondents'. 36% of respondents' opined that they are satisfied with the interest offered at times of request and 25% of the respondents opined that the additional loan provided by Business Correspondents' had been their special Benefit enjoyed by them.

**Inference:**

It is inferred that most of the respondents are satisfied with the Daily Limit of amount availing from the Business Correspondents'.

Table No: 4.2.5

Table showing Contributions of Business Correspondents' to the respondents based on various attributes

S.No	Contribution	Weightage					Total Respondents	Total Weightage	Weighted Average	Ra
		5*	4	3	2	1				
1.	Service	61	5	8	0	1	75	350	4.67	2
2.	Privacy	55	7	11	2	0	75	340	4.53	3
3.	Accessibility	38	26	11	0	0	75	327	4.36	5
4.	Brand of the device	59	10	5	1	0	75	352	4.69	1
5.	Devices Used	47	17	10	0	1	75	334	4.45	4

Source: Primary Data

5\*→Very Likely, Regularly; 4→Likely, Frequently; 3→Does not make a Difference, Occasionally; 2→Unlikely, Rarely; 1→Never

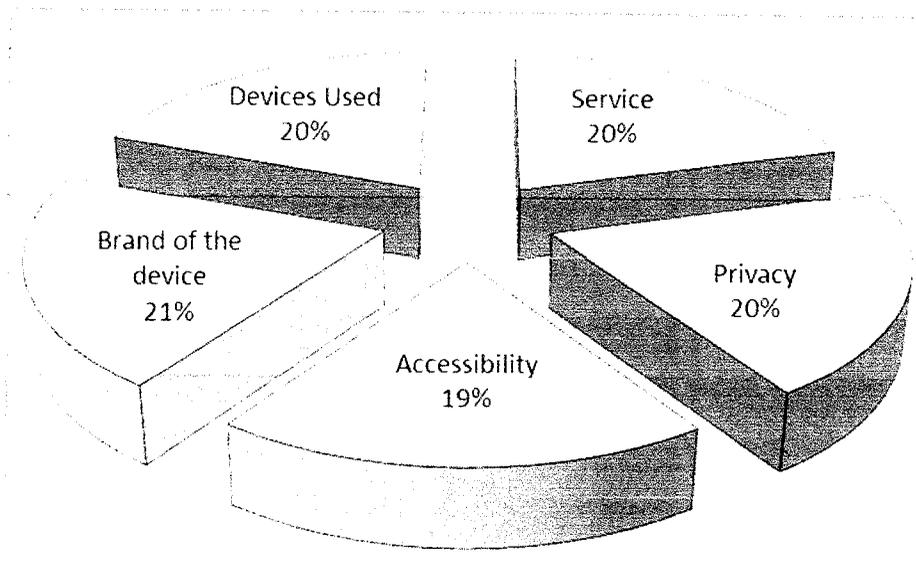


Chart No: 4.2.5

Chart showing Contributions of Business Correspondents' to the respondents based on various attributes

**Interpretation:**

The above table (Table 4.2.5) shows that 21% of the respondents' specified that brand of the device used by the business correspondents' for providing services had made them to avail the service from them. 20% of the respondents' specified that Devices used, Privacy & Services of Business Correspondents' had been their preference contributions and 19% of the respondents specified that the Accessibility of device made to avail the service.

**Inference:**

It is inferred that majority of the respondents' opined that brand of the device used by the business correspondents' services had made them to avail the services from them.

### Calculation of Cross Tabs analysis:

#### 4.3 To test the association between Age groups with Type of Service using Chi square analysis:

##### Hypothesis:

Ho: There is no association between age and type of service

Ha: There is association between age and type of service

**Table No: 4.3**

**Table showing Age with Type of service - Cross tabulation**

Variables		Type of service					Total
		Other Services	Insurance products	Family Pension	Housing loan	Old age Pension	
Age	81years & above	2	0	0	0	5	7
	61 – 80years	1	2	1	0	23	27
	41 – 60 years	10	2	6	3	4	25
	21 – 40years	10	1	2	0	2	15
	Below 30 years	0	0	1	0	0	1
Total		23	5	10	3	34	75

Variables	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	50.064	16	.000
Likelihood Ratio	52.934	16	.000
Linear-by-Linear Association	20.187	1	.000
No of Valid Cases	75		

##### Interpretation:

The above table (Table -4.3) shows the results of chi square analysis for Age with Type of service. The respondents' who are under the age group of 61-80 years are mainly availing the service of getting old age pension total of about 23 customers from 75 respondents. It is found that the value of Type of Service and Age are significant which is less than 0.05, so the alternative hypothesis is accepted. Hence the age has association with the type of service.

#### 4.4. To test the association between Qualification with Type of Service using Chi square analysis:

##### Hypothesis:

- Ho: There is no association between Qualifications with Types of Services  
 Ha: There is association between age Qualifications with Types of Services

**Table No: 4.4**  
**Table showing Qualification with Type of service - Cross tabulation**

Variables		Type of service					Total
		Other Services	Insurance products	Family Pension	Housing loan	Old age Pension	
Qualification	School Dropouts	2	2	0	1	19	24
	Higher Secondary	2	2	0	0	11	15
	No Formal Education	4	0	2	0	0	6
	Others	15	1	8	2	4	30
<b>Total</b>		<b>23</b>	<b>5</b>	<b>10</b>	<b>3</b>	<b>34</b>	<b>75</b>

##### Chi-Square Tests

Variables	Value	Df	Asymp. Sig. (2-sided)
<b>Pearson Chi-Square</b>	44.091	12	<b>.000</b>
<b>Likelihood Ratio</b>	53.470	12	<b>.000</b>
<b>Linear-by-Linear Association</b>	23.884	1	<b>.000</b>
<b>No of Valid Cases</b>	<b>75</b>		

##### Interpretation:

The above table (Table – 4.4) shows the results of chi square analysis for qualifications with Types of Services. The respondents' who are School Dropouts of totally 22 are availing Business Correspondents' for Old age Pension. It is found that the calculated value of Qualification with type of Service is significant ( $<0.05$ ), so the alternative hypothesis is accepted. So there is association between Qualifications with Types of Services.

#### 4.5. To test the association between Age groups with Cost Variables using Chi square analysis:

##### Hypothesis:

Ho: There is no association between age and cost variables

Ha: There is association between age and cost variables

**Table – 4.5**  
Table showing Age groups with Cost Variables - Cross tabulation

S.No	Cost variables	Pearson Chi Square value	Degrees of freedom	Significance
1	Travelling Charges	37.964	16	.002
2	Transaction cost	11.622	8	.169
3	Double Credit/debit problem	1.802	4	.772
4	Commission Paid	54.584	16	.000

##### Interpretation:

The above table (Table – 4.5) shows the results of Chi square analysis for Age with Cost variables. It is found that there is an association for Travelling Charges and Commission paid of cost variables, which has the significance of less than 0.05. The remaining variables has the significance of greater than 0.05, so null hypothesis is accepted and hence there is no association between Age with Cost variables except Travelling charges and Commission paid services.

#### 4.6. Cost Benefit Analysis:

**Table No: 4.6.1**

**Table showing the impact of Bank's per day amount limit over the Travelling Cost incurred by the respondents to avail the funds**

<b>Travelling cost * Daily limit - Cross tabulation</b>						
<b>Variables</b>		<b>Daily limit</b>				<b>Total</b>
		<b>Poor</b>	<b>Moderate</b>	<b>Good</b>	<b>Very good</b>	
<b>Travelling cost</b>	<b>Never</b>	0	0	0	5	<b>5</b>
	<b>Unlikely</b>	0	0	0	1	<b>1</b>
	<b>Does not make a difference</b>	0	0	0	1	<b>1</b>
	<b>Likely</b>	1	2	0	1	<b>4</b>
	<b>Very likely</b>	1	12	17	<b>34</b>	<b>64</b>
<b>Total</b>		<b>2</b>	<b>14</b>	<b>17</b>	<b>42</b>	<b>75</b>

#### **Interpretation:**

The above table (Table-4.6.1) shows the Cross tabulation results of Travelling Cost with Daily limitation. It is found that the respondents who are satisfied with their daily limitation of amount availing from business correspondents' specified that they are paying their travelling cost very likely.

Table No: 4.6.2

Table showing the impact of availability of amount with the Business Correspondents' on Travelling Cost incurred by the respondent in availing the funds

Travelling cost * Extra money Cross tabulation							
Count		Extra money					Total
		Will not approach anyone	Approach other Micro Finance institutions	Request with same BC's	Ask with other BC's	Approach Bank	
Travelling cost	Never	0	0	1	3	1	5
	Unlikely	0	0	0	1	0	1
	Does not make a difference	1	0	0	0	0	1
	Likely	1	0	1	0	2	4
	Very likely	28	3	13	1	19	64
Total		30	3	15	5	22	75

#### Interpretation:

The above table (Table-4.6.2) shows the results of Cross tabulation for Travelling Costs with Extra availability of money. It is found that the respondents who does not approach any other micro finance institutions for getting extra money had they not paid any travelling cost for availability of service.

Table No: 4.6.3

Table showing the impact interest charges on loans availed from the Business Correspondents' on Travelling Cost incurred by the respondent in availing the funds

<b>Travelling cost * Range of interest Cross tabulation</b>						
<b>Count</b>		<b>Range of interest (%)</b>				<b>Total</b>
		<b>&gt;5</b>	<b>3</b>	<b>2</b>	<b>&lt;1</b>	
<b>Travelling cost</b>	<b>Never</b>	0	2	3	0	<b>5</b>
	<b>Unlikely</b>	0	0	0	1	<b>1</b>
	<b>Does not make a difference</b>	0	0	1	0	<b>1</b>
	<b>Likely</b>	0	0	3	1	<b>4</b>
	<b>Very likely</b>	1	9	<b>46</b>	8	<b>64</b>
<b>Total</b>		<b>1</b>	<b>11</b>	<b>53</b>	<b>10</b>	<b>75</b>

**Interpretation:**

46% of the respondents have preferred the Business Correspondents' the most for availing the loans as the interest charged by them is comparatively (2%) very low.

**Table No: 4.6.4**

**Table showing the impact of the Transaction cost incurred by the respondent over the benefits in availing the funds**

<b>Transaction cost * Daily limit Cross tabulation</b>						
<b>Count</b>		<b>Daily limit</b>				<b>Total</b>
		<b>Poor</b>	<b>Moderate</b>	<b>Good</b>	<b>Very good</b>	
<b>Transaction cost</b>	<b>Moderate</b>	0	0	0	1	<b>1</b>
	<b>Good</b>	0	0	0	1	<b>1</b>
	<b>Very Good</b>	2	14	17	<b>40</b>	<b>73</b>
<b>Total</b>		<b>2</b>	<b>14</b>	<b>17</b>	<b>42</b>	<b>75</b>

**Interpretation:**

The above table (Table-4.6.4) shows the results of Cross tabulation for Transaction cost with Range of Interest. Most of the respondents who specified that daily limit available with business correspondents are also satisfied with their transaction cost which is less than other means.

Table – 4.6.5

Table showing the impact of per day surplus amount with the Business Correspondents' over the Transaction Cost incurred by the respondent in availing the funds

<b>Transaction cost * Extra money Cross tabulation</b>							
<b>Count</b>		<b>Extra money</b>					<b>Total</b>
		<b>Will not approach anyone</b>	<b>Approach other Micro Finance institutions</b>	<b>Request with same BC's</b>	<b>Ask with other BC's</b>	<b>Approach Bank</b>	
<b>Transaction cost</b>	<b>Moderate</b>	0	0	0	1	0	<b>1</b>
	<b>Good</b>	1	0	0	0	0	<b>1</b>
	<b>Very Good</b>	29	3	15	4	22	<b>73</b>
<b>Total</b>		<b>30</b>	<b>3</b>	<b>15</b>	<b>5</b>	<b>22</b>	<b>75</b>

#### **Interpretation:**

The above table (Table-4.6.5) shows the results of Cross tabulation for Transaction Costs and Extra availability of money. It is found that the most of the respondents who does not approach any other micro finance institutions for getting extra money had they not paid any transaction cost for availability of service.

**Table No: 4.6.6**

**Table showing the impact of interest charged over the loan availed by the respondent over the transaction cost**

<b>Transaction cost * Range of interest Cross tabulation</b>						
<b>Count</b>		<b>Range of interest (%)</b>				<b>Total</b>
		<b>&gt;5</b>	<b>3</b>	<b>2</b>	<b>&lt;1</b>	
<b>Transaction cost</b>	<b>Moderate</b>	0	0	0	1	<b>1</b>
	<b>Good</b>	0	0	0	1	<b>1</b>
	<b>Very Good</b>	1	11	53	8	<b>73</b>
<b>Total</b>		<b>1</b>	<b>11</b>	<b>53</b>	<b>10</b>	<b>75</b>

**Interpretation:**

The above table (Table-4.6.6) shows the results of Cross tabulation for Travelling with Range of Interest. It is found that the respondents availing business correspondence service are paying lower interest rate of 2% are not availing any other sources through micro finance institutions which reduces the transaction cost.

Table – 4.6.7

Table showing the impact of Double credit/ debit of amount over the Banks per day amount limit

<b>Double credit/debit * Daily limit Cross tabulation</b>						
<b>Count</b>		<b>Daily limit</b>				<b>Total</b>
		<b>Poor</b>	<b>Moderate</b>	<b>Good</b>	<b>Very good</b>	
<b>Double credit/debit</b>	<b>Never</b>	2	14	17	42	<b>75</b>
<b>Total</b>		<b>2</b>	<b>14</b>	<b>17</b>	<b>42</b>	<b>75</b>

**Interpretation:**

It is found that none of the respondent have not experienced a wrong double credit or debit and lost an opportunity of getting the funds on same day.

Table – 4.6.8

Table showing the impact of Double credit/ debit of amount over the Banks surplus amount maintained by the Business Correspondents'

<b>Double credit/debit * Extra money - Cross tabulation</b>							
<b>Count</b>		<b>Extra money</b>					<b>Total</b>
		<b>Will not approach anyone</b>	<b>Approach other Micro Finance institutions</b>	<b>Request with same BC's</b>	<b>Ask with other BC's</b>	<b>Approach Bank</b>	
<b>Double credit/debit</b>	<b>Never</b>	<b>30</b>	<b>3</b>	<b>15</b>	<b>5</b>	<b>22</b>	<b>75</b>
	<b>Total</b>	<b>30</b>	<b>3</b>	<b>15</b>	<b>5</b>	<b>22</b>	<b>75</b>

**Interpretation:**

None of the respondent have not approached anyone due to a wrong debit or credit of amount by BCs.

Table – 4.6.9

Table showing the impact of Double credit/ debit of amount over the benefits

<b>Double credit/debit * Range of interest – Cross tabulation</b>						
<b>Count</b>		<b>Range of interest (%)</b>				<b>Total</b>
		<b>&gt;5</b>	<b>3</b>	<b>2</b>	<b>&lt;1</b>	
<b>Double credit / debit</b>	<b>Never</b>	1	11	<b>53</b>	10	<b>75</b>
<b>Total</b>		<b>1</b>	<b>11</b>	<b>53</b>	<b>10</b>	<b>75</b>

**Interpretation:**

None of the respondent who has availed the funds from Business Correspondents' have faced a double credit/ debit problems.

Table – 4.6.10

Table showing the impact of Banks per day amount limit over the Commissions paid by the respondent

<b>Commissions paid * Daily limit – Cross tabulation</b>						
<b>Count</b>		<b>Daily limit</b>				<b>Total</b>
		<b>Poor</b>	<b>Moderate</b>	<b>Good</b>	<b>Very good</b>	
<b>Commission paid</b>	<b>Never</b>	1	6	11	<b>33</b>	<b>51</b>
	<b>Rarely</b>	1	7	3	5	<b>16</b>
	<b>Occasionally</b>	0	1	3	1	<b>5</b>
	<b>Frequently</b>	0	0	0	1	<b>1</b>
	<b>Regularly</b>	0	0	0	2	<b>2</b>
<b>Total</b>		<b>2</b>	<b>14</b>	<b>17</b>	<b>42</b>	<b>75</b>

**Interpretation:**

2% of respondents who are satisfied with the banks per day limit have paid commission to the Business Correspondents.

Table – 4.6.11

Table showing the impact of surplus amount maintained by the Business Correspondents' over the Commissions paid by the respondent

<b>Commission paid * Extra money - Cross tabulation</b>							
<b>Count</b>		<b>Extra money</b>					<b>Total</b>
		<b>Will not approach anyone</b>	<b>Approach other Micro Finance institutions</b>	<b>Request with same BC's</b>	<b>Ask with other BC's</b>	<b>Approach Bank</b>	
<b>Commission paid</b>	<b>Never</b>	<b>19</b>	<b>1</b>	<b>9</b>	<b>4</b>	<b>18</b>	<b>51</b>
	<b>Rarely</b>	<b>8</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>2</b>	<b>16</b>
	<b>Occasionally</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>5</b>
	<b>Frequently</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>Regularly</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>Total</b>		<b>30</b>	<b>3</b>	<b>15</b>	<b>5</b>	<b>22</b>	<b>75</b>

**Interpretation:**

19 respondents who are satisfied with the banks per day limit have not paid commission to the Business Correspondents' have not accessed any other microfinance institutions for the want of money.

#### 4.7 Responses of Business Correspondents'

**Table No: 4.7**

**Table showing the responses of Business correspondents under different dimensions**

<b>Consolidate</b>	<b>Variables</b>	<b>Results</b>
<b>Cost</b>	Travelling cost	No travelling allowance for Business correspondents provided by the bank
	Mobile Recharge	Inadequate mobile recharge (Provided once in 3month)
<b>Ease of Use</b>	Difficulty in accessing device	Rare difficulty in accessing Micro ATM device
	Updation & Training from Vendor	Inadequate training
	Training from Bank	No proper training
<b>Commission or Salary</b>	Salary	Both Salary and commission
	Commission paid	1% commission for each transaction
	Enough Customers	Adequate customers available
<b>Possible Problems</b>	Range of signal	Moderate signal accessibility
	Insertion/Detection of Card	Problems faced rarely
	Familiar Biometric System	Thump Impression (Finger Print)
	Printing device	No clarity and cartridge gets dry often
	Battery Backup	Sufficient
	Voice output	No clarity in voice
	Camera Attachment	Frequently used
	Touch screen usability	Moderate usage
	Bugs in S/w	Occurs rarely
	Alternative device	Provides Temporary and supplement devices
	Duration of alternate device	Takes much time to get alternate device
	Daily Limit	Frequently inadequate
<b>BC Availability</b>	Frequency of Visit	Weekly twice/thrice
	Hours spent/village	More than 3hours
	Average amount transacted	Rs. 30,000 to Rs. 40,000
	Customer contact BC	Through Phone

**Interpretation:****Cost:**

There are no travelling allowances and inadequate mobile recharge allowances provided to Business correspondents.

**Ease of Use:**

Business Correspondents facing rare difficulty in accessing microATM device and also they get inadequate training from both vendor side and Bank.

**Commission or salary:**

There is an adequate customer's available to Business correspondents in which they get 1% of commission for each transaction with monthly salary.

**Possible Problems:**

Business correspondents facing following problems in accessing microATM device such as, the range of signal accessibility is not very good, so there is delay in all the transactions; sometimes there are problems in insertion/detection of card, so the transactions cannot be processed further till it gets detected. The familiar biometric system for Business correspondent is the thump impression which enables easy access. There are problems in printing devices such as no clarity in printing and often cartridge gets dry.

The sufficient battery backup helps in attaching additional devices like camera also enables touch screen accessibility. As there is no clarity in voice the occurrence of default is high as well it may require to use alternate device which may consume more time.

**Availability of Business Correspondents:**

Business correspondents spends weekly twice/thrice per village for more than 3 hours per visit. The average amount transacted during their visit will be range between Rs.30,000 to Rs.40,000. Majority of the customers contact them through phone.

- ✓ Business Correspondents faces many problems in accessing old device and there is no sufficient salary paid to them.
- ✓ 19 respondents who are satisfied with the banks per day limit have not paid commission to the Business correspondents' have not accessed any other microfinance institutions for the want of money.
- ✓ 2% of respondents who are satisfied with the banks per day limit have paid commission to the Business correspondents'.
- ✓ None of the respondent who has availed the funds from Business Correspondents' have faced a double credit/ debit problems.
- ✓ None of the respondent have not approached anyone due to a wrong debit or credit of amount by Business correspondents'.
- ✓ It is found that none of the respondent have not experienced a wrong double credit or debit and lost an opportunity of getting the funds on same day.
- ✓ It is found that the respondents availing business correspondence service are paying lower interest rate of 2% are not availing any other sources through micro finance institutions which reduces the transaction cost.
- ✓ It is found that the most of the respondents who does not approach any other micro finance institutions for getting extra money had they not paid any transaction cost for availability of service.
- ✓ Most of the respondents who specified that daily limit available with business correspondents are also satisfied with their transaction cost which is less than other means.
- ✓ 46% of the respondents have preferred the Business Correspondents' the most for availing the loans as the interest charged by them is comparatively (2%) very low.
- ✓ It is found that the respondents who does not approach any other micro finance institutions for getting extra money had they not paid any travelling cost for availability of service.
- ✓ It is found that the respondents who are satisfied with their daily limitation of amount availing from business correspondents' specified that they are paying their travelling cost very likely.

## **5.2 Suggestions:**

- ✓ Majority of the respondents use business correspondents' for availing old age pension, which means business correspondents' benefit the rural senior citizens at a large. There by promoting them to provide all services pertaining to senior citizens this would lead to better financial inclusion.
- ✓ Business Correspondents' should focus on all segments of rural areas invariably. They should concentrate on single segment of age, income etc.,
- ✓ Customers felt interest benefitted through the scheme and transaction cost for the service is less compared to other means, it should maintain in normal rate so that still it will give additional benefits for the rural sector people.
- ✓ The Daily Limit providing by the Business Correspondents' as per the norm is sufficient for particular customers of senior citizens, but for others it is not a sufficient daily limitation, for which revisions to be undertaken by government.
- ✓ Additional attachment of camera is used for taking photos of new customers. It has problems during carrying and insertion, hence it would be advisable to embed it in the machine to avoid uncertainties.
- ✓ The country aims at financial inclusion. If properly to fulfill this objective, in prior the welfare of business correspondents' should be taken care by the bank to ensure prudent services to poor rural mass.

### **5.3 Conclusion:**

The study aims at understanding business correspondence model adapted by Indian bank. It had an intention of studying the cost and benefit analysis of this model pertaining to business correspondent and the customers. It is found a majority of the respondents are satisfied with the daily limit amount in the brand of device used. But the business correspondents are facing problem with the older device and its attachments. Though majority of the respondents avail old age pension quite few also access financial services. So the bank creates and promotes awareness on the benefits of financial services to achieve the ultimate goal of financial inclusion.

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S.No	Particulars	* 1	2	3	4	5
2.1	The transaction cost through Business Correspondents' is comparatively less than bank process					
2.2	Usefulness in opening a No frill account helps you					
2.3	Consumes less time in Business Correspondents' transaction than other means					
2.4	Knowledge towards device acceptability					
2.5	Per day limit for individual customers is adequate					

\*1→Very Good    2→Good    3→Moderate    4→Poor    5→Very Poor

S.No	Particulars	Very Likely	Likely	Does not make a difference	Unlikely	Ne
3.1	How far your travelling charges and risks reduced through Business Correspondents'?					
3.2	Are you confused with two different user ID cards provided by same bank to access same account for different purposes					

Your opinion about Business Correspondents' contribution to you

S.No	Parameters	Very Good	Good	Moderate	Poor	Very Po
4.1	Service					
4.2	Privacy					
4.3	Accessibility					
4.4	Brand					
4.5	Device used					

5. The type of services that you have avail through Business Correspondents' are  
a) Old age Pension    b) Housing Loan    c) Family pension    d) Insurance products  
e) If others specify \_\_\_\_\_
6. Do you get any loans for agriculture purpose additionally for accessing Business Correspondents'?  
a) Regularly    b) Frequently    c) Occasionally    d) Rarely    e) Never
7. What type of loan do you prefer to take? \_\_\_\_\_

8. If you need extra money what is your option to get it?
  - a) Approach Bank
  - b) Ask with other Business Correspondents'
  - c) Request with same Business Correspondents'
  - d) Approach other Micro Finance institutions
  - e) Will not approach anyone
9. What is the range of interest that you are benefitted in using Business Correspondents' scheme comparing to other alternatives? (% per transaction)
  - a) Below 1
  - b) 2
  - c) 3
  - d) 4
  - e) 5 and above

## ROLE OF TECHNOLOGY IN MICROFINANCE INSTITUTIONS WITH RESPECT TO BUSINESS CORRESPONDENCE MODEL

Questionnaire No:

### Questionnaire for Business Correspondents

#### Demographic details

**Gender:** a) Male b) Female

**Age:**

- a) Below 20 years    b) 21 – 40 years    c) 41 – 60 years    d) 61 – 80 years  
e) 81 years & above

**Qualification:**

- a) School Dropouts    b) Higher Secondary    c) U.G    d) If Others specify

**Annual Income:**

- a) Less than 1 Lakh    b) 1 to 1.5 Lakhs    c) 1.5 to 2 Lakhs    d) 2 Lakhs and above

Please do give your opinions for the questions below:

S.No	Particulars	Adequate	Inadequate	Never
1.1	I do get travelling allowance			
1.2	I do get mobile phone recharge amount from the bank			

S.No	Particulars	Regularly	Frequently	Occasionally	Rarely	Ne
2.1	I have difficulty in accessing the micro ATM device					
2.2	I receive adequate training from the vendors on technology updations					
2.3	I receive adequate support & training from bank with respect to business correspondence activities					
2.4	I face problem during the insertion and					

	detection of Unique ID card in micro ATM device					
2.5	I use an additional attachment of camera for transaction purpose					
2.6	I find bugs and faults in using the software installed in micro ATM device which I access					
2.7	Per day Amount limit hinders me					

S.No	Particulars	Very Good	Good	Moderate	Poor	Very Poor
3.1	Range of Signal that I receive in accessing the process at customers' place					
3.2	Level of internet package facility					
3.3	Detection of Touch screen usability level					

4. I receive the following,
  - a) Salary only
  - b) Salary & commission
  - c) Salary and other monetary benefits
  - d) Salary and other non-monetary benefits
5. I receive \_\_\_\_\_ of commission from bank for each transaction
  - a) 1%
  - b) 2%
  - c) 3%
  - d) 4%
  - e) 5% and above
6. Enough customers available to use this scheme?
  - a) More
  - b) Adequate
  - c) Few
7. Which type of Biometrics system I familiar with and easy to access?
  - a) Finger Print
  - b) Face Recognition
  - c) Brain Wave scan
  - d) Voice analysis
  - e) Iris recognition
8. Problem faced in printing device in machine
  - a) Ink cartridge gets dry
  - b) Paper struck up
  - c) Printing unexpected contents
  - d) No Clarity in printing
  - e) If others \_\_\_\_\_
9. Duration of charge available in device
  - a) Less than an hour
  - b) 2 to 3hours
  - c) 5 to 10hours
  - d) 24 to 48hours
  - e) Above 48hours
10. Faced any problem in getting voice output?
  - a) Voice not generated
  - b) Language
  - c) No proper language
  - d) No clarity in voice
  - e) Not find any problems

11. Alternative device will be provided to you in case of any fault happen in hardware of your Device?
  - a) New device will be provided
  - b) Old device will be provided
  - c) Other BC's device
  - d) Temporary device until it gets repaired
  - e) No action will be taken
12. Duration of getting device from vendor
  - a) Minimum 1 day
  - b) 2 to 3 days
  - c) 4 to 5 days
  - d) More than 10 days
13. Hours spent per village
  - a) Less than a hour
  - b) 1 to 2 hours
  - c) More than 3 hours
14. Average amount transacted per day
  - a) Less than Rs.10000
  - b) Rs.20000
  - c) Rs.30000
  - d) Rs.40000
  - e) Rs.50000 and above
15. How do customers mostly contact me?
  - a) Through phone
  - b) through other customers
  - c) direct visit
  - d) through other Business Correspondents
16. I do Visit each area
  - a) At-least once in a week
  - b) Once in a day
  - c) Weekly twice/thrice