



ORIGINAL RESEARCH PAPER

Commerce

PERCEPTION TOWARDS BC/BF MODEL AS A SUCCESSFUL AGENT FOR FINANCIAL INCLUSION

KEY WORDS: Financial inclusion, BC/BF Model, Perception of beneficiaries, Branchless banking.

Manoj Xavier

Assistant Professor, St. Aloysius College, Edathua, Kerala.

ABSTRACT

The concept financial inclusion, the delivery of financial services at affordable costs to low-income segments of society, is a realistic strategy for accelerated economic growth, and plays critical role in achieving inclusive growth. Non accessibility, non-affordability and non availability of formal financial services results in financial exclusion and thereby, vulnerable sections cannot use their own funds in an underdeveloped financial system leading to high cost credit from informal sources and the individuals also pay higher charges for basic financial services. In India the RBI and Government have launched several financial inclusion measures and programs over the last two decades. Among these, BC/BF Model is one of the successful initiatives. This study is an attempt to know the perception towards BC/BF model as a successful agent for financial inclusion among the beneficiaries

INTRODUCTION

In India, a large segment of the society, particularly low-income people, have very little access to formal financial services. Despite the success of various attempts of Central Government, Reserve Bank of India (RBI) and NABARD through the establishment of State Bank of India (1955), nationalization of banks (1969-1980), introduction of Lead Bank Scheme (1970), formation of Regional Rural Banks (1975), Self Help Group (SHG), Bank Linkage Programme (1992), etc, large part of India is still unbanked. As per Indian Institute of Banking and Finance, for every 16,000 people in India, there is only one bank office of a scheduled commercial bank which is low compared to the developed economies.

The Indian Government and the RBI have been very proactive in promoting 'Financial Inclusion' and among various initiatives, the 'BC/BF Model' is being seen as an innovative way to serve the unbanked, by allowing banks to reach the underserved through external agents. BC/BF Model ensures a closer relationship between poor people and the organized financial system. Business correspondents or *bank mitras* (i.e., agents of the bank) provide last-mile connectivity for financial services in remote and under-banked locations.

Recognizing this, in 2006, RBI permitted banks to use the services of non-governmental organizations (NGOs), microfinance institutions (MFIs), Section 25 Companies, and other civil society organizations (CSOs) as Business Correspondents (BCs) or Business Facilitators (BFs) in providing financial and banking services. Initially RBI guidelines allowed MFIs, NGOs and other CSOs to function as BCs/BFs were revised further to encompass more entities including corporate entities having their Customer Service Points (CSPs) and Business Correspondent Agents (BCAs) in the villages. Presently any individual can act as BC/BF provided the bank is satisfied and due diligence is done. At present few leading NGOs/MFIs have adopted BC/BF model to extend banking facilities to the deprived sections of the society and bring them into the mainstream of development Business Correspondents (BCs) & Business Facilitators (BFs) are representatives appointed by banks to act as their agent and provide banking services in remote locations where the bank does not have a presence in order to promote financial inclusion. The fundamental difference in the role of the BC and BF is that BCs are permitted to carry out regular transactions for customers on behalf of the bank. BFs are only responsible for spreading awareness related to banking and bank's products, assisting the bank in business generation activities and recovery of bad debts. However, they do not undertake any cash transactions.

The Reserve Bank continued its efforts towards universal financial inclusion. Given the boost provided by the Pradhan Mantri Jan Dhan Yojana (PMJDY) during the period, considerable banking penetration has occurred, particularly

in rural areas. However, significant numbers of banking outlets operate in branchless mode through business correspondents (BCs)/facilitators. Dominance of BCs in the rural areas can be gauged from the fact that almost 91 per cent of the banking outlets were operating in branchless mode as on March 31, 2018.

RELEVANCE OF BC/BF MODEL

In India, the RBI have observed that a rural bank branch serves near to 3,000 to 4,000 families in 12 to 15 villages within a radius of 15kms in certain areas of rural India. Moreover, a Public Sector Bank branch may require more than 5 years to breakeven in unbanked areas in India, while a private sector & foreign bank with IT connectivity may require about 5 times more. Further, obtaining permission to open a branch is a long and protracted process. In such a scenario, BCs/BFs act as micro bankers. The BC option potentially helps banks to reach out much faster and at a much lower cost. This model enable banks to extend financial services to the unreached clients beyond their branch network as beneficiaries of the BCs are mostly located at unbanked and under banked areas. BCs/BFs enable disbursement and recovery of loan at the doorsteps of the beneficiary. Target clients are well known to local NGOs, Post Offices, BDOs and similar local social bodies, thus loan facilitation by the NGOs/BCs (who are the promoter/builder of the groups) enhances quality of assets and helps to reduce the volume of non-performing assets. Scaling up of this model is possible within a short span of time.

BC/BF MODEL IN KERALA

Kerala has become India's first state to have 100 % bank account coverage for all households under Pradhan Mantri Jan Dhan Yojna (PMJDY) in a period of two and half months. This was announced by Kerala Finance Minister KM Mani on November 11, 2014 during the State-Level Bankers' Committee (SLBC) meeting at Thiruvananthapuram. Since the launch of the scheme on August 28, 2014, all banks collectively have opened 13 lakh accounts under the PMJDY for financial inclusiveness. It has been calculated that nearly five lakh no-frills accounts have been opened. As many as 5.5 lakh RuPay debit cards have been issued and around Rs.350 crore collected as deposit from these account holders. There was a great support from the Akshaya kiosks and other BCs in this achievement.

SCOPE OF THE STUDY

Banking correspondent model was introduced by Reserve Bank of India in 2006 as a branchless banking initiative towards financial inclusion. The scheme is intended to reach the unreached in the remotest corners of our country to meet their banking needs. BC/BF model enables banks to reach out much faster and at a much lower cost. Kerala is one of the most financially inclusive states in the country. In terms of number of branches, Kerala has the largest number of bank branches among the semi urban areas in the country. Uttar

Pradesh has the largest number of bank branches in rural and urban areas. Despite Kerala's small land area, it has more than 6000 number of bank branches and nearly 1000 BCs/BFs, indicating the spread of the financial system in the State. This study is focused on to find out the perception towards the BC/BF model as a successful agent of financial inclusion among the beneficiaries in Idukki districts, Kerala.

OBJECTIVES OF THE STUDY

1. To study the perception towards BC/BF Model as a successful agent for financial inclusion among the beneficiaries.
2. To assess the reasons for supporting BC/BF Model.

METHODOLOGY

The study is descriptive in nature and is based on both secondary and primary data. The secondary data required for the study collected from the different websites, articles published by the Reserve Bank of India, Government of India, other institutions and research journals. Data from research projects, books and magazines also be discussed.

Primary data have been collected from BC/BF beneficiaries, availing the financial services in Idukki district by using structured questionnaire. Beneficiaries were taken on the basis of urban and rural classification. 90 clients constitute the sample, selecting 45 from urban and 45 from rural area. The objective was to ensure representation of both the rural and urban clients. Then snowball sampling was used to identify the specific clients.

The analysis is done under four sections namely; Level of agreement towards BC/ BF model as an agent for financial inclusion, Sector wise classification of agreement towards BC/BF model as an agent for financial inclusion, Opinion on future of BC/BF Model, Reasons for supporting BC/BF model. The data collected were coded, edited and presented in a tabular form in order to make meaningful analysis. Analysis was done using SPSS software.

ANALYSIS AND RESULTS

The major findings with regard to the objective of study are outlined below.

Table.1 Level Of Agreement Towards “BC/ BF Model Helps To Access Formal Banking System Easily”.

AREA	LEVEL OF AGREEMENT						Total
	STRONGLY AGREE	AGREE	NEITHER AGREE NOR DISAGREE	DISAGREE	STRONGLY DISAGREE		
Rural	11	22	6	6	0	45	
Urban	10	17	16	1	1	45	
Total	21	39	22	7	1	90	

Source:Primary Data

Among 45 respondents in rural area 11 respondents strongly agree to the statement “BC/BF Model helps to access formal banking system easily”, 22 respondents agree to the statement; 6 respondents neither agree nor disagree to the statement. 6 respondents disagree to the statement and no respondents strongly disagree to the statement. Among 45 respondents in Urban area 10 respondents strongly agree to the statement, 17 respondents agree to the statement 16 respondents neither agree nor disagree to the statement.. 1 respondent disagree to the statement and 1 respondent strongly disagree to the statement. 33(73.33%) respondents in rural area agree to statement and six (13.33%) respondents oppose the statement. Six (13.33%) respondents neither agree nor disagree with the statement. 27(60%) respondents in urban area agree to statement and two (4.44%) respondents oppose the statement. 16 (35.56%) respondents neither agree nor disagree with the statement. It is

understood that respondents in rural area more favours to the statement.

Table - 2 Respondent's Opinion With Regard To BCs Helps To Increase The Self Confidence To Handle Financial Crises

Area	YES	NO	NOT SURE	TOTAL
Rural	32(71.11%)	7(15.5%)	6(13.33%)	45
Urban	31(58.89%)	2(4.44%)	12(36.67%)	45
Total	63(70%)	9(10%)	18(20%)	90

Source:Primary Data

Out of 45 respondents in rural area 32(71.11%) respondents agrees that BCs helps to increase the self confidence to handle financial crises; Seven (15.56%) respondents are of the opinion that they wouldn't agree that BCs helps to increase the self confidence to handle financial crises; six (13.33%) respondents are not sure about BCs helps to increase the self confidence to handle financial crises. In case of urban area out of 45 respondents 31(58.89%) respondents agrees that BCs helps to increase the self confidence to handle financial crises; Two (4.44%) respondents are of the opinion that they wouldn't agrees that BCs helps to increase the self confidence to handle financial crises and 12(36.67%) respondents are not sure about BCs helps to increase the self confidence to handle financial crises. Out of 90 respondents, both in rural and urban, 63(70%) respondents are of the opinion that BCs helps to increase the self confidence to handle financial crises ; nine(10%) wouldn't agrees to BCs helps to increase the self confidence to handle financial crises and 18(20%) respondents are not sure in BCs helps to increase the self confidence to handle financial crises. It is found that majority of the respondents agrees that BCs helps to increase the self confidence to handle financial crises.

Table .3 Respondent's Opinion Regarding The Future Of BC/BF Model

RESIDENCE AREA	FUTURE OF BC/BF MODEL			Total
	YES	NO	NO OPINION	
RURAL	34	4	7	45
URBAN	36	5	4	45
Total	70	9	11	90

Source:Primary Data

Out of 45 respondents in rural area 34 respondents believe that BC/BF Model has a bright future and 36 respondents out of 45 in urban area also believe that BC/BF Model has a bright future. It is concluded that majority of respondents believes that BC/BF Model has bright future.

Table- 4 Reasons For Supporting BC/BF Model By Rural Respondents

Reasons	Weighted Score	Rank
Easily Accessible	139	2
Financial Inclusion is possible	126	5
Infrastructure	106	11
Step to promote branchless banking	134	3
Better Financial Management	123	6
Quality of service	120	9
Customer relationship	121	8
Trust in BC/BF Model	144	1
Efficiency of BC/BFs	98	12
Transaction privacy	128	4
Information sharing	113	10
Employment opportunities	122	7

Source:Primary Data

Table .4 contains the weighted score which show that easily accessible, with the high score of 139 is ranked one and trust with the score of 144 ranked second ; step to branchless

banking with score of 134 ranked third and efficiency of BC/BFs with score 98 ranked last.

Table- 5 Reasons For Supporting BC/BF Model By Urban Respondents

Reasons	Weighted Score	Rank
Easily Accessible	147	1
Financial Inclusion is possible	126	3
Infrastructure	116	9
Step to promote branchless banking	122	7
Better Financial Management	115	10
Quality of service	121	8
Customer relationship	124	5
Trust in BC/BFs	136	2
Employees efficiency	123	6
Transaction privacy	125	4
Information sharing	114	11
Employment opportunities	113	12
Other reasons	9	13

Source: Primary Data

Table .5 shows that easily accessible with score of 147 ranked first; trust in BC/BFs with score of 136 ranked second; financial inclusion is possible with score of 126 ranked third and employment opportunities with score of 113 ranked 12th. others include wide network without additional cost ranked 13th with score of nine.

FINDINGS

1. Data analysis pertaining to level of agreement towards the statement 'BC/BF Model helps to access formal banking system easily', revealed that majority of respondents (56.67 per cent) in rural (73.33 per cent) and urban (60 per cent) agrees to the statement.

2. Majority (70 per cent) of respondents agrees that BC/BF Model helps to increase the self confidence to handle financial crises. In rural 71.11 per cent agrees while in urban area 58.89 percent agrees.

3. 70 per cent of respondents believe that BC/BF Model has a bright future. Majority respondents in rural area (75.56 per cent) and urban area (80 per cent) also believe that BC/BF Model has a bright future.

4. The major reasons for supporting the BC/BF Model among respondents is that they would be easily accessible, trust in BC/BFs and step to promote branchless banking respectively. The major reasons put forward by urban and rural respondents also the same.

CONCLUSION

The BC/BF Model has a bright future in India especially in rural areas. Majority of the BC/BFs clients agrees that this Model helps to access formal banking system easily and helps to increase the self confidence to handle financial crises. Their level of expectations towards various services of BC/BF Model is also high. More than half of the respondents in rural and urban area believe that real financial inclusion is possible through BC/BF Model due to their wide presence and professional operations in both urban and rural area and this model has a bright future.

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