Chapter 4

Intention to Continue as Business Correspondents – An Investigation into the Influencing Factors

4.1 Introduction

The intention to continue as BCs of banks by the agents plays a critical role in furthering the government and policymakers financial inclusion agendas as the BCs services are the main pillars that strengthen the supply side of providing basic financial services. Several factors influence the BCs intention to continue their business and need to be investigated. BCs are entrepreneurs as their activities revolve on the pivot of generating income through the self-employment avenue of serving as agents for bank. Uzma and Pratihari (2019) also mentioned BCs as micro-level entrepreneurs that provide banking services to the public in both rural and urban areas. It is necessary to understand their intention because it has been proven that the entrepreneur's action are based on their intention (Krueger et al., 2000). Entrepreneurial intention research has been extensively conducted in developed countries (Kautonen et al., 2011; Schwarz et al., 2009), and it has been discovered that understanding the factors influencing entrepreneurship intention is extremely important in creating a viable and successful entrepreneur. So much so, though attempts have been made by researchers to delve into how entrepreneurial intentions are shaped, no study has yet been conducted to find out the factors which determine the intention of BCs to carry out their income generating activities by providing financial services. This chapter and chapter 5 attempts to investigate empirically the factors which significantly influence the intention of individual to continue as BCs.

4.2 Intention to Continue – Meaning and Previous Research

Intention is an individual specific tendency to perform an action or a set of actions. It is an action that is guided by conscious thought (Parker, 2004). Ajzen (1991) defines intentions as an indicator of how hard people are willing to try and how much

effort they expect to expend to execute the behavior. The intention is a strong predictor of future behavior. “Intention,” according to Bird (1998), is the state of mind that guides a person's focus and behavior toward self-employment rather than organizational employment. According to Wu (2010), the stronger the purpose, the more likely an individual will perform a specific behavior, since actual behavior is difficult to quantify in research, it is realistic to study intentions, and it can be argued that entrepreneurial intention is closely linked to entrepreneurial behavior.

Aghaei and Sokhanvar (2019) investigated the factors influencing SME owners’ intentions to continue operating their businesses. The study discovered that their continuity goal is affected by their creativity, risk attitude, informality, and debt positivity.

Hung et al. (2017) analyzed the factors affecting small online vendor’s intent to continue engaging in business. According to the findings of the study, perceived profit and commitment have a positive effect on the attitudes of small vendors. Similarly, their mind-set and perceived behavioral influence have a significant impact on their intention to continue the business.

Kassim and Ramayah (2015) identified the risk factors that influence the intention to continue using internet banking. A questionnaire was administered to 413 people using the drop-off and pick-up technique. According to the study, the factors influencing the decision to continue using internet banking were time loss risk, social risk, opportunity cost risk, and perceived usefulness.

Al-Harrasi et al. (2014) published a comprehensive literature review on the factors affecting entrepreneurship intention. The study discovered that four sets of variables, namely, personality-traits factors, motivational factors, contextual factors, and personal background factors, have a significant impact on the entrepreneur's

intention. Several literature stated traits as the highest determinant in the business continuity intention and some of the personality traits that affects an entrepreneur intention are self-confidence, risk-taking ability, innovativeness, need for achievement and autonomy. Similarly, desire to earn more money and lack of job opportunities are the motivational factors to start a business. Cultural attitudes, social networks are the contextual factors that facilitate the entrepreneurial intention. Further, education level, family business experience and gender are the personal background factors that affects the business intention of an entrepreneur.

Koe et al. (2012) investigated the factors influencing the entrepreneurial intentions of Malaysia millennial generation. The study discovered that knowledge, relations, and experience were independent variables, while social norms, attitude, perceived behavioral control, and personality traits were mediating variables influencing the entrepreneur's intention.

Uddin and Bose (2012) attempted to create a factor shaping business students' entrepreneurial intentions in Bangladesh. The study discovered that the need for achievement, work autonomy, risk taking, business climate, locus of control, and education has a major effect on the entrepreneurial intentions of business students. Similarly, job problems have a negative impact on entrepreneurial intentions. Moriano et al. (2011) proposed that the determinants predicting entrepreneurial intentions vary by region, and local culture often influences their intention. Thus, studies at the local level are required to substantiate the validity and accuracy of the results.

Mas (2009) evaluated the factors affecting branchless banking while servicing unbanked clients. The study concluded that the number of transactions performed per day by each agent is an essential measure of the project success and the number of active customers initiating transactions captures the regularity of their usage. Thus, the

rise in transactions owing to the proximity and float translates into growth in their profitability. George et al. (2011) also mentioned that commission is one of the key motivators for the BCs to continue their operations. Inadequate earnings have an influence on the services provided by the agents. Further, the agents may walk out of the business limiting the transaction point for the clients, causing a big reputational risk for the banks. Thus, the commission structures should be adequately set by the banks. Ndungu (2014) stated that strong network connections, client satisfaction, liquidity management, close proximity, convenient working hours and length of services as an agent are the main factors that affect the number of transactions conducted at the agent outlets, which in turn have an influence on the commission earned by the BCs. Ombutora and Mugambi (2013) also observed that transaction cost, security, float limits and commission had a considerable impact on the performance of the banking agent entrepreneur.

It is evident from these studies that although several efforts have been made to understand entrepreneurial intention to continue the business, there is a major research gap where no research has been conducted empirically to identify the factors influencing the Business Correspondents (BCs) intention to continue their business though they are entrepreneurs dealing with financial services. As stated before, the purpose of this chapter is to fill this research gap by identifying factors influencing the BCs intention to continue their business. Based on participatory observational research with the BCs and drawing from some research findings, it was felt prudent to hypothesize that the key motivating factor for an individual to act as BC would be the earnings from commission that he/she could obtain from this entrepreneurial activity of providing financial services. This is because entrepreneurship in any form is based

on the success of income generating activities. Needless to say, the income of the BCs are through commission earned from executing financial transactions for their clients.

The quantum of earnings from commission as shown in chapter three depends on the different types of number and volume of transactions taken up by the BCs. The higher the number of various types of transaction, the greater is the earning from commissions.

Again, as the transaction is performed through Kiosks and handheld devices, the technical factors are inevitably expected to influence the number and volume of transactions. Any glitches in internet connections, computers, laptop, morpho-devices and handheld or POS machines can affect the smooth conduct of transactions and even halt the transactions.

Further, given the variety and methods of transaction, maintenance of liquidity in the form of cash and e-float plays a vital role in determining how smoothly transactions can be conducted. Any glitches here can reduce the number of transaction and the BCs need to be trained to manage them with efficiency.

In addition to these, training in operating procedure and digital system can affect the efficiency of BCs in handling of services, quality of services, customer satisfaction and also the loyalty of the customers' withdrawal. The more the efficiency gained through training, the more the number of transaction in a given time and the higher is the commission.

The aforesaid aspects are addressed in depth in the following sections where previous studies concerning these aspects have been brought to light and corroborated with observation in this research. The problems as observed have been ranked on the basis of participatory observation research.

4.3 Liquidity Aspects

4.3.1. The Operational Mechanism – Balancing Physical Cash & E- Float

BCs are the lifeline of rural banking systems, where they provide services like cash deposits, cash withdrawal, transfer or remittances along with the other services like account opening, fixed deposits, recurring deposits, insurance and pensions, etc. Deposit, withdrawal and remittances represent a huge chunk of their entire banking transactions. Thus, liquidity is an essential feature of the entire BC operations. Here, liquidity means physical cash and e-float balance needed to execute cash-in and cash-out transaction. E-float refers to the electronic balance available in the BCs account or wallet.

Normally, there are two system of liquidity management approaches implemented by the BCs of various banks. In the first process, BCs establish a bank settlement account with the base branch, which is used for pursuing banking transactions of the customers according to the availability of balance in this account. BCs will accept deposit to the extent of available balance in the bank settlement account and the balance gets depleted when there are a large number of deposits by customers with the BCs. Similarly, if there are lots of withdrawals by clients, the physical cash of BCs gets exhausted while the bank settlement account balance increases. Thus, the management of transaction depends upon the availability of liquid cash with the BCs and balance in the bank settlement account.

In the second process, the BCs must maintain an e-float account with the Corporate BC and liquid cash in hand to meet the customers demand. The e-float balance must be efficiently managed so that uninterrupted services can be offered to customers about their deposits, withdrawals and remittances etc. When a customer deposits cash with the BCs, an equal amount is transferred from his wallet or account

to that of the customers account and BCs collects liquid cash from the customers. Similarly, if the BCs have a low balance in e-float account and if any customers turn in to deposit cash, he must deny the transactions as he would not be able to move an equal sum of cash from his e-float account to the customer's account. It means that the BCs will accept deposits only to the extent of the balance available in their e-float account, and when the balance in the e-float account is depleted, they must deposit cash in the BC settlement account to get an e-float balance, which is again a hefty task as the BCs have to send a message or screenshot to the CBCs following the deposit to their account, after which the e-float account is credited. Alternatively, he must wait for any withdrawal transactions so that his e-float balance increases. When a customer makes a cash-out transaction, i.e., withdraw money, the BCs give physical cash to the customer in return for an equivalent amount of e-float.

4.3.2 Challenges in Liquidity Management

Kiarie and Bersudskaya (2017) opined that "float management is among the biggest obstacles in agent operations. Most financial providers in Africa have delegated the responsibility of handling the float to agents. However, agent illiquidity undermines customer trust in the service and poses a threat to the provider reputation." Thus, liquidity plays a crucial role in effective functioning of the BCs as the amount of earnings from commission depends on the number of transactions performed during the time and any decrease in the number of transactions would have a direct impact on their overall commission during the month. Maurer et al. (2013) found that "agents should maintain sufficient liquidity to balance between e-float and physical cash such that if there is a demand for deposit or withdrawal, it can be efficiently met while the failure to do so would result in customers perceiving the service as unreliable, which will adversely affect the credibility of the banking agents."

Depending on the volumes of cash-in or cash-out transactions of any given day, BCs may either become cash rich with surplus cash in hand or cash poor i.e. having insufficient cash to service withdrawals. When physical cash is insufficient to service customers withdrawals, the BCs must move to the banks where they have their account and withdraw cash themselves for giving it to customers in the BC outlet. Ujjawal et al. (2012) found that "a major issue faced by agents is that they never seem to have enough cash for withdrawals. Almost half of the agents surveyed reported facing a liquidity crunch while servicing their clients. As a result, agents are usually unable to serve the clients because of inadequate balance because they did not get replenished by the BCs on time; or simply because they did not have cash to facilitate withdrawals." Medhi et al. (2009) reported that BCs need more liquid cash than the e-float balance in rural areas because the demand for withdrawal is higher among rural customers. Liquidity issues pose more challenges in the rural economy as people typically rely on cash transactions. Similarly, Kiarie et al. (2018) found that if there is too much cash withdrawal, the agent accumulates more e-float balance but run out of physical cash, leading to a denial of transaction because when a customer withdraws money, the agent issue physical cash that increases the electronic money in e-float account but decreases physical cash in their hand.

Furthermore, the job of rebalancing or rearranging cash or e-float is not simple as it seems that the BCs must travel quite a few kilometres in many cases, often by bicycle or two wheelers or on foot to reach the base bank branch, stand in a line to reach the teller counter for withdrawals or deposits and then return with cash through roads and lanes, which in many cases are far from being called secure. Kiarie et al. (2018) also found that in East Africa, a longer travel time to rebalancing locations is statistically associated with less frequent rebalancing. This is because agents, or their

staff, may have to shut shop and incur travel expenses, rebalancing fees and tips during the rebalancing process.

Kolloju (2014) expressed that handling of large amount of cash is risky for the BCs especially in those regions where the terrain is difficult and there exist a weak connectivity. In case of unpredictable fluctuations in client demand, it is the distance parameters that play a significant role in servicing the clients quickly. BCs located within the short distance can visit the link branch and deposit cash in the BC settlement account or withdraw cash frequently according to their requirements, while those BCs located at a distant location i.e. more than 5 km, find it difficult to travel frequently due to time and cost constraints. Further, during this rebalancing activity, the customer service points need to be temporarily closed if he does not have a competent assistant. Mehrotra et al. (2018) also reported that nearly 81 percent of agents travel always or often to rebalance the cash of e-float and for 91 percent of those agents, the bank is the principal rebalancing points other being ATMs, etc. Similarly, several agents shut their store to arrange liquidity from the base branch and they experience delay at the rebalancing point that contributes toward a reduction in their transaction, thus, hampering their profitability.

Mehrotra and George (2015) estimated that nearly 33 percent of the agents denied transactions because of the liquidity problem and the frequency of traveling to banks due to rebalancing of cash was much higher in India compared to many other countries such as Kenya, Bangladesh, Pakistan, Tanzania, Nigeria, Uganda and Indonesia. The BCs travel approximately 6.6 km on an average for re-balancing liquid cash or e-float. The average time taken for re-balancing is about 26 min, which is due to a long line in banks and BCs hardly receive any special attention in most banks. Temporary closures lead to increased waiting time for customers and inflate their

frustration. Disgruntled customers will desist from making more transactions through the BCs in future, leading to the loss of commission for the BCs.

Considering the fact, that the onus to arrange liquidity lies with the BCs, it is often found that a large number of BC often resort to borrowing from friends, relatives or local money lenders for funding the e-float or liquid cash. These finances do not come cheap and interest rates vary from 20 to 50 percent per annum. In certain instances, the base bank branch and the Corporate BCs provide overdraft facilities or sanction loans to the BCs, where a fixed sum including interest is deducted every month as a repayment of loan from the commission received by the BCs. Thus, the amount of transactions to be done primarily depends on the availability of liquidity, which is an important aspect in generating commission for the BCs. Flaming et al. (2011) found that the liquidity amount and the frequency of rebalancing are related to each other. It shows that the rebalancing frequency is determined by the working capital amount, cash in cash out transaction balance and capital in the hands of the agents. Liquidity cost largely impact the agent market, rendering it unattractive and unprofitable.

Frydrych (2019) conducted a study on liquidity management of agents in Democratic Republic of Congo and found that both provider and agents must prioritize liquidity management to flourish their business. It is especially important in that region, where basic banking infrastructure, connectivity and security are lacking. Poor access to liquidity is the primary reason behind the lower activity and customer dissatisfaction in the region. Gupta et al. (2020) also examined the influence of COVID- 19 pandemic on BCs agents in providing banking services to the last mile customers residing in far-flung areas. The study found that banks and Corporate BCs should provide liquidity support in the form of an extended OD or loan amount.

Similarly, incentives, non-touch verification procedures, grievance resolution support, appropriate insurance coverage and physical protection should be provided to the BCs in order to ensure a higher level of financial inclusion across the country.

The salient problems which have been identified from the above discussion is given below:

Problems	Author/s
• Disruption in availability of liquid cash and e-float money	Kiarie & Bersudskaya (2017); Maurer et al (2013); Ujjawal et al (2012)
• Unpredictable fluctuations in demand for cash	Kiarie et al (2018)
• Denial of transactions due to liquidity crunch	Pandey & Wright (2015); Kiarie et al (2018)
• Security risk in handling cash	Kolloju (2014)
• Liquidity rebalancing and remote locational issues	Mehrotra et al (2018); Kolloju (2014)
• Limited support from Corporate BCs and Banks	Gupta et al (2020)

Problems identified through Observational Research:

Problems	Ranked
• Limit on transaction amount per customers	1
• Time required to deposit and withdraw cash from branch by the BCs	2
• Distance between the base branch and CSP	3

4.4 Commission Aspects

The average amount of commission generated through transaction by BCs have been elaborated in Chapter 3. This section further elaborate different aspects related to earning from commission.

Though very few studies have been conducted to research on commission aspects of BC agents, yet it has been claimed that factors such as liquidity, technology and training play a crucial role in enhancing commission. Amit (2018) investigated the prospects and challenges of Agent Banking in Bangladesh through focus group interviews with RMG workers, bank officials and agents. The research concluded that lack of incentives and commitment of bank workers are the hindering factors. According to Roy (2017), certain challenges in branchless banking, such as lower income, sub-optimal transaction commissions, lower incentives to manage low-value transactions, insufficient training and monitoring, transaction failure, and a lack of financial literacy and knowledge, are limiting and curtailing branchless banking's growth in India. Uddin and Sultana (2019) conducted study to analyze the potential of agent banking in Bangladesh. According to the study, the number of agents providing banking services to the rural population has increased dramatically, resulting in increased financial inclusion, rapid and efficient transaction mechanisms, remittance channeling, and cost effectiveness. However, there are several hindrances which are functioning as a barrier to the expansion of the agent banking industry, like restricted transactions, poor training and technological shortcomings. These issues impact the transaction number, resulting in an influence on the earning potential of the agents. Similarly, Flaming et al. (2011) found that the agents profitability is highly sensitive to disruption of services, especially in case of dedicated agents with money, staff and rented space. The agents incur expense for these services even though there is service downtime leading to downturn in their revenue. Agents in India, Brazil and Kenya have stated that unreliable network causes the stoppage of transactions resulting in decrease of revenue for the business correspondents. It is important that the technology works continuously and there is a regular support from TSPs to the BCs so that stable

income can be managed, commission structures be rationalized, and regular support and monitoring be conducted to address the barriers to BCs development. Patel et al. (2018) concluded that the commission obtained by the agents was insufficient to meet their expenditures, showing a common displeasure with the amount of commission earned. The structure of commission payment and their time vary significantly and are non-standardized. Moreover, they do not earn any fee for non-financial transactional activities like balance inquiries, PIN resets, addressing customers' complaints and mini statements. Similarly, the emergence of new players using Aadhaar enabled payment system is also affecting their commission. Thus, there is a need to reassess the incentives for both financial and non-financial transactional services so that they can operate the agent business smoothly.

Kapoor and Shivshankar (2012) conducted a study to understand the opportunities available to Business Correspondents industry in India. The study revealed that BCs may achieve fundamental economic viability and earn adequate return to be viable in the long run. About 27 percent of BCs believed that the fees earned for customers' acquisitions are good, while 45 percent of BCs stated that the overall commission for transactions is inadequate. Further, it was observed that if appropriate support is provided by banks to BCs, then they might attain sustainability. The banks might strengthen the support by increasing their commission, quick payment of their commission, regular training, expansion of the range of products offered and supporting marketing efforts which would lead towards the growth of their business. There is also a need to pay the commission regularly without any delays and provide statements to the BCs every month. Kochar (2016) analysed the financial sustainability of BCs through the various measures undertaken by the government to assure the profitability of the agents. It focuses on the commission elements, which are

typically dependent on the transactions. Further, to boost their earning potential, methods such as welfare payments and other transfers to household savings bank accounts were established so that the local agents might receive a monthly fee on such transactions. This ensures revenue for BCs functioning even in those places where the financial transaction needs could be minimal. Geographical mapping has also established a feasible market size for each BC. Thus, the frequent transactions from welfare payments coupled with other transactions raises their commission, which generates incentives for the BCs to maintain their operation. Grameen Foundation and Enclude (2013) also undertook research to build a sustainable BCs Model which might finally result in the accomplishment of financial inclusion. The study concluded that in order to attain sustainability, there has to be a focus on growing their outreach along with extending their services through an array of products. Similarly, an anchor product should be selected that may deliver a substantial chunk of income for the BCs together with a reliable technological platform. Further, non-financial items may be offered so that their income may be supplemented, which would lead towards a rise in their profits owing to the larger commission gained from the numerous financial and non-financial items and services.

Ndungu and Wako (2015) opined that agency-banking outlets have built a new business segment for banks and have dramatically improved profitability due to a rise in transaction volumes. According to Alehegn (2020), BC Agents give supplementary services to the branches where the customers undertaking lower value transactions are redirected to the banking agents, minimizing the rush in the bank branches. It also expands the reach of additional clients in different regions because the cost of servicing poor clients is expensive for bank branches due to the limited number of transactions, whereas the cost is lower for BC Agents due to the lower set up and operating costs,

making it convenient for rural customers to access services on a regular basis and conduct more transactions. Thus, extended operating hours, cheaper transaction costs, shorter waits in the outlet and easy accessibility makes it comfortable for the majority of the rural populations to get regular formal financial services, resulting in an increased number of transactions which translates into higher commission for the BCs. According to SIDBI (2014), the sustainability of BCs depends to a very larger extent on the amount of commission received by the BCs, which again depends on the number of transactions conducted at the BCs point. The number of transactions could be increased if Corporate BCs and banks take the following steps: broadening the product basket by adding thirty-party financial products, promoting a mass awareness campaign, a liquidity management system, regular training and a consistent and robust technological platform. These would boost the profitability of all the stakeholders involved in the BC model.

It has also been found through participatory observation research that commissions are not paid regularly by banks and corporate BCs, which affects the BCs working capital requirements, rendering them vulnerable to transaction rejection. According to PWC (2015), commission should be paid to BCs regularly and on time so that adequate liquidity can be arranged for operating CSPs. The fees charged by Corporate BCs lacks transparency, causing frustration among the BCs, which in many cases leads to the collection of unauthorized charges from customers. Corporate BCs should ensure that the commission charged to BC agents is correct, and regulatory adjustments could be made to expand the number of products and services available to customers, so that an increase in products and services increases transactions, resulting in increased revenue for the company. The BCs are also becoming increasingly concerned about the increased competition because of other digital

payment options available near CSP. As a result, all stakeholders must work together to raise BCs commission and ensure their long-term viability.

The salient problems which can be identified from the above discussions are given below:

Problems	Author/s
• Delay in payment of commission	SIDBI (2014)
• Issue of transparency in calculation of commission	Shukla (2015)
• Limited product and services have affected the commission	Kumar & Balasubramanian (2014)

Problems identified through Observational Research:

Problems	Ranked
• Increased in number of BCs have impacted commission	1
• Limited awareness regarding BC activities have impacted the transaction	2

4.5 Technical Aspects

Technology is an important dimension in smooth functioning of Business Correspondent Model. It facilitates the transactions between the banking service provider and its customers at the BC point. Shukla (2015) investigated the supply-side status of Business Correspondent Industry in India. The study found that nearly 73 percent of the BCs were using Kiosk Model and 55 percent of them were doing it via POS (Point of Sales) device. There was a tremendous increase in technology option of BCs with Kiosk-based model having both rural and urban spread maintaining a steady flow of business. BCs of rural areas could achieve better business volumes as compared to their counterparts in urban areas. They also reported that the degree of technology integration was a deciding factor with a higher level of integration resulting

in the use of multiple transactions, while the lower level of integration leads to fewer transaction avenues for the customers, thereby raising the possibility of account dormancy.

Aduda et al. (2013) analyzed the relationship between agency banking and financial performance of commercial banks in Kenya. They observed that agent banking network has been a technological innovation from a supply side perspective offering a low-cost technological infrastructure to ensure microfinance accessibility in a more cost-effective way compared to other alternatives. Further, from a demand-side viewpoint agency network creates social innovation offering easy exposure to the deprived segment even in a remote area where brick and mortar branches do not normally cover. Thus, the adoption of agency banking has resulted into an increase in revenue for the commercial banks by decreasing their cost in serving people with a low income and marginalised segment of the population.

The Technology Service Providers (TSPs) act as an important support in smooth facilitation of banking transactions processed via handheld devices and Kiosk Model. BCs have a settlement account with the connect branch, where cash is deposited and the available balance is used for handling the customer transaction, once the balance reduces to zero, BCs cannot accept further deposit from the customers instead BCs must deposit money in the settlement account or must wait for further withdrawal from the customers, so that they can continue the transaction.

The entire process is handled by the TSPs at the back end i.e., if a customer wants to deposit money at BC outlet, the TSPs verify that the BCs have enough funds in his or her bank settlement account so that when the customer deposit money to BCs, an equal sum get deducted from the BC settlement account and the same balance gets transferred to the depositors account. Similarly, when the customers withdraw money

from the BC, an equal amount is transferred to the BC settlement account from the customers account in exchange of the withdrawal amount. Thus, the entire interaction between the three parties i.e. banks, BCs and customers is immediately cleared in real time ensuring a secure atmosphere for all parties involved with zero additional settlement risk and thus TSP is providing important services in keeping the BC model functional.

Some impediments are causing challenges in upscaling the model. Many challenges are faced by the BCs when delivering services, which range around the technical issues. These issues are not only prevalent in India, but also in other countries as brought out by several researchers. Genga et al. (2018) conducted a study in ANA countries in which they tried calculating the risk in Agent Network. They found that "technological risk threatens assets and processes critical to the success of an agency business." The main metrics used to monitor and measure the technical risk include – the frequency and severity of downtime at the BC points and the number of customers experiencing downtime. According to the survey, nearly 57 percent of BCs registered service downtime in Bangladesh; 50 percent in Indonesia; 33 percent in Pakistan; 36 percent in Kenya and 32 percent in Tanzania. Thus, there is a strong message that much of the agency sector is failing continuously due to the inadequate facilities and insufficient advance notice before the service downtime. Hence, the BCs should be given high-quality and efficient financial services that will lead to confidence building and continuous usage, resulting in an increase of transaction in BCs business.

Bhat et al. (2021) examined the challenges faced by the BCs during the Covid crisis in India. The research reveals that in April 2020, 39% of AePS transactions failed, increasing concerns about the infrastructure capability of intermediary

providers. Other factors contributing to the drop in transactions included biometric mismatches, inadequate balances, and liquidity management.

SIDBI (2014) also conducted a study on Business Correspondent Model in Bihar where they tried to understand the factor acting as a constraint in the uptake of the model. The main constraint found was restricted GPRS connectivity i.e. in the majority of the rural villages there is a lack of internet connectivity due to which uploading and downloading of data is affected. Further, TSPs are not providing field support to deal with the technical complaints relating to the POS machines and are mostly managed by the untrained staffs who are often unable to address the problem while in many cases the complaints are not at all handled unless a higher level intervention is made by the banks. Similarly, there are some TSPs operating in Bihar that are still grappling with the migration problem i.e. from the conventional offline mode to the new online mode of transaction. It has also been found that handheld computer or POS systems fails to recognize the fingerprints of the customers frequently and is cited as the most popular technical problem of BCs. Microsave (2014) also opined that the network connectivity is weak in some of the rural areas due to which transactions failed and the situation gets more complicated when there is a least support provided by Technology Service Providers (TSPs) in redressing the technical difficulties encountered while servicing the clients.

As observed during participatory observational research, BCs allow initial investment in purchase peripherals such as Laptop, laptops, POS Machine, Morpho machines, Printer, and UPS etc. to follow the banking transactions. Since, the BC model is a technologically driven model, which relies on the internet connectivity in the area, lack of connectivity or poor network poses a major challenge for its smooth functioning in the rural and hilly region (PWC, 2015). It is also observed that the

transaction through the handheld devices takes more time compared to kiosk model causing difficulties for the BCs during the peak hour when there is a rush and a big queue especially during the large scale payment i.e. to tea garden worker, MGNREGA, Pension and other social security schemes. Further, there is often a service downtime while servicing the customers and it often takes a long time to restore the link and there is little assistance from the TSPs during the link outage resulting into a loss of customers lowering the reputation of the BCs. Similar observations were made by Mehrotra and George (2015) in an Agent Network Accelerator Survey in India found that inadequate services due to a service downtime is affecting the earning potential of the BCs. They estimated that approximately 32 percent of the agents faced service downtime when performing the transaction. Similarly, the agent recorded an average of eight service downtime per month with a median of two hours during the occurrence. Further, they found that the agents have to deny at least two transaction per downtime which resulted in four percent of total monthly transaction and nearly 77 percent of the agents indicated that they did not receive prior warning of service downtime during the majority of the instances thus resulting into a decrease in their earning.

Similar problems were also found by Kumar & Balasubramanian (2014) in which they stated that there are many BCs complaining about the technology offered by the Corporate BCs. Customers complained about the unpredictable connection failure leading to the loss of time and losing the confidence in the BCs. According to Wright et al. (2013), few BCs do not have daily services in rural areas due to frequent machine downtime, trust issues, and a lack of liquidity, which affects both the banks and BCs reputations. Further, BCs approach technology service providers to redress

their grievances, but they also fail to respond, resulting in denial of transactions to the customers.

Pandey & Wright (2015) undertook a study to link the dots between risk, consumer security and financial capacity in perspective of the BCs customers. The study found that the technology remains the top risk of the agents. There is a lack of confidence in the digital financial services arising from the regular server downtime including bank server downtime, service provider network downtime, internet failure, agent inability to represent the customers with an assertion that "the machine is down". Similarly, disrupted transaction occurring due to the multiple technical difficulty leading to the incomplete transaction and lack of confirmation message or transaction slip creates anxiety among the customers. All these issues result in the confidence deficit in the framework that shows that customers' perception of banking are still focussed on brick and mortar branches.

The fact that the BCs can provide banking services to the customers of various banks opened up new avenues in enhancing BCs commission as earlier they were catering only the home bank customers restricting their earning capacity, but after the RBI (2012) circular, interoperability was permitted at the point of customer interface provided that the technology available with the bank supports it. Interoperability means that the BCs will offer banking services to both on-us (home bank) and off-us (non-home bank) customers, making it easy to the target population having account with the various banks to access banking services at their doorstep. There are four levels of interoperability i.e. (i) Peer to Peer Interoperability – The individual institution connect one on one through individual connections; (ii) Agent Interoperability – Agents may operate transactions between providers; (iii) Merchant Interoperability – Merchants may accept payment from any provider; and (v) Full

System Interoperability – Financial institutions connect to a common platform thereby facilitating transactions. Even though the regulatory structure was there in the domain but in reality it was observed with all BCs in the sample that interoperability was absolutely slow due to the necessary improvements in the technology of the banks making it cumbersome for customers to avail the services conveniently. Similarly, many of the CBCs cautioned their BCs not to undertake non-home bank transactions due to the amount getting blocked in the FI server, which takes up to a week to get resolved. Nanjero et al. (2017) opined that interoperability facilitates an effective payment mechanism in which real time micropayments are made and cleared between any account and wallet that meets KYC requirements. Similarly, it promotes a cash-free environment, reliable payment system, increased customer convenience, improved productivity and financial inclusion. George et al. (2016) observed that the banks have not completely embraced interoperability at the BC point as TSPs feels that there may be a security breach and further there is a lack of clarification about the interoperability market which is slowing the adoption of interoperability. Though, there are few banks like SBI who have tied up with TCS to provide technical support for the BCs wherein full-fledged interoperability is functional but other banks like CBI, UBKGB and UBI has still directed their BCs not to follow non-home bank transaction regularly as the money could get stuck in the FI server during the process of transfer. Thus, interoperability should be smoothly implemented by various banks so that the capacity of BCs can be enhanced. Also an increase in customer transaction will result in the continuity of their business leading to higher earning for all the stakeholders concerned.

The salient problem which have been identified from the above discussion are given below:

Problems	Authors/s
• Lack of connectivity or poor network	PWC (2015)
• Service downtime or unpredictable connection failure	Mehrotra et al (2018)
• Interoperability problems	George et al (2016)
• Limited field support by Technology Service Providers (TPSs)	Microsave (2014)
• Fingerprints identification failures	SIDBI (2014)
• Non-delivery of transaction confirmation messages	Pandey & Wright (2015)

Problems identified through Observational Research:

Problems	Ranked
• Passbook updation facility is provided at CSP	1
• Corporate BCs immediately redressed the transaction failure issues	2

4.6 Training Aspects

Training is an important aspect in agent banking services that ensures a consistent and quality services leading to a better customer experience in both rural and urban areas. The role undertaken by BCs is similar to skills needed for operating the brick and mortar bank branches. Often, a person who joins as Business Correspondents are generally from the non-banking sector having low financial literacy and proficiency regarding the banking practices. Therefore, it becomes crucial that they are given basic and advanced training with a graded system of certification (CRFIM, 2017). BCs being the face of the banks reflect the banks goodwill and any deviation in their services or incident of fraud would lead to distrust

and fall in brand image of the banks. Training is the pillar that builds trust and increase the expertise of agents, which results in ensuring an error-free transaction, pro-active fraud prevention, uniform customer experience and compliances. BCs are required to take BC Certification courses from the IIBF at the time of their appointment. The study conducted by Wright (2015) found that training is delivered to a much smaller proportion of agents. Nearly 59% of agents are trained in India, while the proportion of training in Pakistan is 62%, Bangladesh 68%, Kenya 92%, Uganda 94% and Tanzania 79%. Furthermore, it was also found that of 59% trained agents in India, it was only 61% of the agents being undergone refreshers training and have received refreshers training only once. The survey found that the greatest perceived challenges for the agents is "to deal with customer service when something goes wrong."

Ahimbisibwe et al. (2018) identified four characteristics for adequate training to BCs including "training participants" where all the staff of the Corporate BCs and banks must be trained so that they can help the BCs whenever the need arises. Second, the training material should be divided into technological and theoretical aspects where the BCs should get an opportunity to conduct hands on transactions. Thirdly, venue for providing training is critical due to the expense and time factor added to it. The CBCs should provide refresher training on site during their service visits and fourthly, the facilitators for Agents training and support should properly strategize whether to outsource or perform in-house training based on the internal capability of the providers. It has been observed that Agents who undergo both training and visit in the outlet work more professionally and their performance is reflected in the services rendered by them.

Nisha et al. (2020) found that agent banking was contributing effectively in financial deepening across the unbanked region in Bangladesh, but some service

problems were being faced by agents, banks and customers concerning agent banking services and recommended that bank should train agents regularly. The agents should be given training on system authentication, record verifications, auto-reversal features for missing transactions and the mechanism to manage time out features and error processing so that process services can be provided to customers resulting in more coverage and improved earning of the agents.

Similarly, APMAS (2012) recorded that TSPs can conduct 2 to 3 days' training program for the BCs at headquarter regarding the usage of tool kits such as POS machine, Morpho-device, Web cam, printing of vouchers, Internet connection and usage of debit card. The technological aspects of training will help the BC encounter problems occurred during the transaction. Further, the frequency of training varies greatly from banks to Corporate BCs and many have opined that there is no set schedule of training.

Trained BCs are supposed to know more about the products and services that would be critical when delivering services to the client as they can recommend the right products and services and conduct more transactions in the business contributing towards an increase in sales of the BCs. Mehrotra et al. (2018) conducted a report on 3048 BCs operating in India, where they found that approximately 55 percent BCs were from rural areas, 25 percent from urban areas and the remaining 20 percent from metros. The study showed that the BCs induction training and refresher training has been institutionalized and is delivered during the first 3 months of their joining. Further, 54 percent of the agents received instruction from the base bank branch, while 47 percent of them received it from the Corporate BCs. It was further stated that BCs undergoing Induction training performs two more regular transactions compared to those who did not received such training. Similarly, those BCs undergoing refresher

training performed 12 more regular transactions leading to a rise in commission. The study also stated that there are few areas where the BCs must be provided further training, such as using transactional equipment, processing transaction according to guidelines, using a platform for transactions, conveying terms and condition of the BCs, teaching customers and handling of documents (APMAS, 2012). However, many BCs face difficulty in handling technological glitches, liquidity challenges, and customer queries, which often lead to denial of transactions. Though many of the BCs are supported by the corporate BCs in resolving their problems, few others try to resolve them through their counterparts. Hence, training in handling these issues can be a value addition for the efficacy of the agent banking system.

Training is important for adequate consumer acquisition and their use. It ensures compliance with the regulation and reduces fraudulent activities in the system, resulting in higher confidence among the customers. Shukla (2015) found that Corporate BCs do not have a pattern for agent training. Nearly, 54 percent of the Corporate BCs offer training to BCs once new products are launched. Similarly, they announced that 38 percent of their agents have been trained twice since their joining. Even though, some agents are undergoing induction training, however, these members do not reflect training standard and its effectiveness. According to Kiarie and Bersudskaya (2017) agents should be recruited from strategic locations, minimum capital should be provided to boost liquidity, non-performing agents should be deactivated, module-based training should be provided to increase agent awareness, network connectivity should be improved, and agents should be monitored regularly.

PWC (2015) conducted a study on BC model of Bihar, where the study found that nearly 35 percent of BCs mentioned that there is no fixed schedule of training while 40 percent of BCs opined that training happens once in 4 months, while another

12 percent mention that training happens once in a 6-month which clearly narrates the disparity faced by the BCs regarding training. Further, 77 percent of BCs interviewed opined that the training helped them in handling day-to-day operations. Similarly, BCs in both urban and rural areas stated that they obtained training on procedure to open account, checking KYC records, resolving technical problems, inspire customers to do savings, quantify commission and persuade customers to open account. Thus, it was proposed that frequent training was important to keep them motivated and minimize attrition. It is also important that they are well trained as they are the first point of contract for banking activities for rural customers who have visited brick and mortar branch.

George et al. (2016) found that BCs are not able to abandon their CSPs to undergo formal training due to opportunity cost and time factor. They suggested that an incentive scheme can be explored in which the BCs can be compensated for skill learning and transaction capability through training. Further, these researches attempted to explore various ideas that can revolutionize the financial inclusion landscape of India. One of the methods followed was educating both the BCs and field officers of banks and Corporate BCs. The study indicated that the BCs should be given appropriate training materials to facilitate self-learning, which is backed by iterative testing and agents' certifications. Further, the BC training should be assisted with IVRS-based systems so that clarification can be given. Similarly, banks accredited training should be made mandatory under which the training can be standardized by industry association. Further, multi-tier training can be offered to the BCs and those undertaking this higher training can offer more products and services to customers, thus increasing the commission of the BCs.

Patel et al. (2018) conducted a study on the Agent Network of Congo to clarify the factors that facilitate or impede the performance of this model and provide guidance on improving the operational management of the agent network. The study found that agent recruiting and on-boarding, agent preparation and on-ground support, agent equipment, enforcement, agent feasibility, investment service efficiency, compensation, compliance and risk management are the factors that decide the operational performance. Similarly, it was found that CBCs and banks have not yet executed formalized and structured training programme. Further, the agents are not well qualified to conduct non-essential tasks and inconsistent field quality agents are also decreasing the quality services. Kapoor & Shivshankar (2012) indicated that most CBCs felt that they were not getting sufficient support and participation from banks in selection and training of agents. Similarly, the banks were not providing the requisite funding for the training of the agents. Even though RBI regulation specifies that it is the bank obligation for the conduct of the agents, there is still limited interest in these main aspects of developing the agents. Further, the researcher recommends that agents should be chosen carefully to ensure trust and convenience, regular training be given and full cooperation be extended for the overall development of BCs.

Tiwari and Srivastava (2017) opined that training helps the agents in being more compliant and trustworthy. Furthermore, agent enforcement improves an outlet's appearance; agents who display tariff sheets gain customers' trust, and agents who display agent certificates gain customers' trust due to clarity. Similarly, a compliant agent will meet the network manager's recommendations for liquidity management, ensuring minimum transaction denial and becoming more proactive in addressing customer complaints. Agents who receive training shortly after starting their business perform at least 20% more transactions per day than those who do not receive training.

Similarly, compared to their untrained counterparts, qualified agents in Senegal and Uganda executed 33% and 10% more transactions per day, respectively, raising their commission significantly.

The salient problems which can be identified from the above discussion are given below:

Problems	Author/s
• Fixed schedule training issues	PWC (2015)
• Limited training on activities and terms and condition.	APMAS (2012)
• Training on handling customer queries	Ahimbisibwe et al (2018)
• Limited orientation and refresher training	Platt & Tiwari (2012)

Problems identified through Observational Research:

Problems	**Ranked**
Issues regarding training to BCs for handling of liquidity	1
Lack of financial literacy training	2

It is evident from the discussion made in the previous sections that system and problems of commissions of the agents, management of liquidity, technical operations and training of agents do have a bearing on how BCAs worked. A number of problem have been identified from the view point of previous researches and corroborated with rankings from participatory observational research. It would therefore be prudent to explore empirically whether causal relationships exist between these aspects and whether they determine the intention of BCAs to continue their operations. For this purpose exploratory factor analysis, confirmatory factor analysis and structural equation model has been used.

4.7 Exploratory Factor Analysis

Factor Analysis is an interdependence technique where the association among the variables is defined and grouped into a highly interrelated collection of variable known as factors. It is implemented when there are a large number of variables under the analysis. Factor analysis helps to summarize the data so that the trend and relationship can be easily interpreted (Child, 2006). The core argument behind the application of exploratory factor analysis is that it helps to build a construct using different items and effectively contributes in creating instruments and validation of a questionnaire (Davis, 2016).

Exploratory Factor Analysis has been first used in our analysis as there are a large number of variables that have been identified both from the current literature and observational research with the BCs. This technique will help to identify the major factors that are assumed to affect the intention of the BCs to proceed with their existing activities in the long term. EFA is conducted to classify the inter-correlation among a large number of variables and identified factors summing the number of variables that are highly correlated with each other. The aim of using factor analysis is to condense a large number of variables into a small collection of factors without losing any more information contained in the variables (Hair et al., 2010). In exploratory factor analysis (EFA), the researcher's expectation does not affect the analysis about the number of constructs as they have little control over the variables. It also helps the researcher to specify the unit of analysis, summarize the data or reduce it and select the variables and use its result with other multivariate techniques. Similarly, the basic assumption undertaken in factor analysis is that there exist some relationship between the sets of variables and it is the researcher who ensure that the pattern observed are conceptually

valid to study exploratory factor analysis. It also ensures that the sample is homogenous in the underlying factor structure.

4.7.1 Items Description

To measure the various aspects of Business Correspondents (BCs) intention to continue in the trade, an extensive literature survey was done. Further, field observation, expert opinion and interaction with bank officials along with corporate BCs and customers were undertaken, which led to the generation of 45 statements. Out of these statements, 32 statements were taken from earlier studies carried out by researchers and 13 new statements were generated from the participatory observational research and interviews with BCs and bankers.

Table 4.1: Observable Variables which determine Business Correspondents Intention to Continue their Business – Previous Studies

Constructs	Label of Variable	Observable Variable	Source
LIQUIDITY	LIQA1	I have adequate liquid cash and e-float for maintaining liquidity	(Mehrotra, A., Tiwari,A., Karthick,M.P., Khanne,M., & Khanna, 2018; Ujjawal, A., Champatiray, A., Sadhu, S., Mendiratta, 2012)
	LIQA2	I have resources to arrange cash and e-float when required	(Mehrotra,A & George, 2015)
	LIQA3	There are often big gaps between deposit and withdrawal of cash	(Abrol, 2018; Afande & Mbugua, 2015)
	LIQA4	There is predictable fluctuation in client demand for cash	(Kiarie, Odongo, & Bersudskaya, 2018)

	LIQA5	There is cash and e-float support from Corporate BCs	(Mehrotra,A & George, 2015)
	LIQA6	I am not losing customers trust due to liquidity issue	(SIDBI, 2014)
	LIQA7	I do not have to deny transaction due to liquidity issue	(Harsh Pandey & Wright, 2015; Kiarie et al., 2018)
	LIQA8	There is no security risk in handling large amount of cash	(FICCI, 2013; Kolloju, 2014)
TECHNICAL	TECA1	There are no technical difficulties for carrying out transactions	(Cracknell, 2017; Ujjawal, A., Champatiray, A., Sadhu, S., Mendiratta, 2012)
	TECA2	There is a good internet connectivity	(Microsave, 2014; PwC, 2015)
	TECA3	It does not take more time to process single transaction of other banks	(George, Bhat, & Gupta, 2016; Mehrotra, A., Tiwari,A., Karthick,M.P., Khanne,M., & Khanna, 2018)
	TECA4	There is no service downtime due to server problem	(Harsh Pandey & Wright, 2015; Mehrotra, A., Tiwari,A., Karthick,M.P., Khanne,M., & Khanna, 2018)
	TECA5	There is no failure in fingerprint recognition of customers	(SIDBI, 2014)
	TECA6	There is no interoperability problem	(George et al., 2016)
	TECA7	There is on field support by Technology Service Providers (TSPs)	(Microsave, 2014; SIDBI, 2014)

COMMISSION	COMA1	The amount of total commission received per month is transparent	(Ujjawal, A., Champatiray, A., Sadhu, S., Mendiratta, 2012)
	COMA2	The amount of calculated commission has no errors	(Kumar & Balasubramanian, 2015)
	COMA3	The commission is paid without any delay	(PwC, 2015; SIDBI, 2014)
	COMA4	I will continue working with the amount of commission earned	(Business Correspondent Federation of India, 2015)
	COMA5	My commission can increase with the existing product and service	(EFInA, 2011; Kumar & Balasubramanian, 2015)
TRAINING	TRAA1	CBCs provides online training materials for self-learning	(George et al., 2016)
	TRAA2	CBCs provides training regarding activities and terms & conditions	(APMAS, 2012)
	TRAA3	There is a fixed schedule of training	(PWC, 2015)
	TRAA4	Regular re-training is conducted by bank and CBCs	(Ahimbisibwe, Kiarie, & Bersudskaya, 2018)
	TRAA5	CBCs provides training regarding client mobilisation and retention	(CRFIM, 2017)
	TRAA6	CBCs provides refreshers training regularly	(Platt & Tiwari, 2012)
INTENTION TO CONTINUE	INTA1	I am satisfied with the current status of my business	(Solesvik, 2011)
	INTA2	I have the self-efficacy to continue my activities as BC in future	(Kristiansen & Indarti, 2004)

	INTA3	My closest family members think that I should pursue a career as BC	(Solesvik, 2011)
	INTA4	I can take the risk to deal with fluctuations in financial transactions	(Altinay, Madanoglu, Daniele, & Lashley, 2012; Estay, Durrieu, & Akhter, 2013)
	INTA5	I expect my business to grow in future	(Solesvik, 2011)
	INTA6	My social status has upgraded in my locality after I took up BC operations	(Carter, Gartner, Shaver, & Gatewoodd, 2016; Manolova, Brush, & Edelman, 2008)

Table 4.2 Variables added to the Pool from Observations and Interviews

Constructs	**Label of Variable**	**Observable Variables**
LIQUIDITY	LIQA9	Transaction amount limit has no impact on liquidity
	LIQA10	It takes less time to deposit and withdraw cash from bank branch
	LIQA11	Distance from base branch does not affect liquidity
TECHNICAL	TECA8	Corporate BC repairs the device immediately if problems occur in it
	TECA9	Transaction failure due to network issues is redressed quickly by BC
	TECA10	Transaction alert message is delivered in mobile phone
	TECA11	Passbook updation facility is provided at CSP
COMMISSION	COMA6	Commission statement is provided by the Corporate BCs
	COMA7	Increase in number of BC has not affected my commission
	COMA8	The amount of commission earned is increasing regularly
TRAINING	TRAA7	CBCs provides training regarding handling of liquidity
	TRAA8	CBCs provides training regarding financial literacy

INTENTION TO CONTINUE	INTA7	Bank Manager provides active support in the BCs activity

The response to all these 45 statements were obtained through a questionnaire on a 5 point Likert's scale as shown in the questionnaire: Annexure-1.

4.7.2 Results of Exploratory Factor Analysis

The result of EFA are shown in the following paragraphs:

Reliability test has been conducted using Cronbach's Alpha test to check the internal consistency of the final questionnaire and measure the extent to which it produces consistent results even if it is measured repeatedly. According to (Nunnally, 1978) the reliability of 0.70 or more is considered a benchmark to process further analysis. The reliability test has been conducted on 45 statements where the scale reliability is satisfactory as depicted by Cronbach Alpha of 0.81. Data adequacy has been checked using a correlation matrix to ensure that the sample size was good to perform factor analysis. Bartlett's test of Sphericity has been used to examine the entire correlation matrix and test the appropriateness of Factor Analysis. Similarly, the Kaiser-Mayer-Olkin (KMO) measure of sampling adequacy has been used to show that the proportion of variance in the variable is caused by the underlying factor. The values above 0.7 are acceptable and above 0.8 is excellent. The calculated KMO value here is 0.894.

Table: 4.3 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.894
Bartlett's Test of Sphericity	Approx. Chi-Square	3990.570
	df	253
	Sig.	.000

The principal component method has been adopted to extract factor and factor retention based on eigenvalue greater than one using scree plot analysis and variance explained with the result being obtained through an orthogonal rotation using varimax. All statements whose factor loading is less than 0.5 are deleted from the extracted factor (Hair et al., 2010).

4.7.3 Refining Exploratory Factor Analysis

A six-factor solution emerged from EFA which constituted 64.075 percent of the variance. An orthogonal factor rotation approach was applied using varimax rotation criteria so as to maximize the sum of the variance of loading of factor matrix (Hair et al., 2010). However, the factor loading of 12 statements (LIQA4, LIQA6, LIQA7, TECA3, TECA10, TECA5, TECA11, COM4, COM6, TRAA3, TRAA8 & INTA4) was less than 0.5 due to which it was deleted from the initial pool of item. Exploratory factor analysis was again conducted on the remaining 33 items, which resulted in a five-factor solution and explained 67.124 percent of the variance. But, 07 statements depicted the factor loading less than 0.5.

In the second step, 07 more statements (LIQA2, LIQA3, TECA1, TECA8, COMA8, TRAA4, & INTA8) were deleted and exploratory factor analysis was performed on the remaining 26 statements. The rotated component matrix depicted five factors solution with 68.827 percent variance explained. But, again 03 items depicted the factor loading less than 0.5 after which the 03 statement (LIQA3, TRAA9 & INTA3) was deleted in the third step.

Finally, EFA was performed again on the remaining 23 statements, which depicted five-factor solutions and total variance explained improved to 70.018 percent and the factor loadings for all 23 statements was more than 0.5. The step-wise deletion of items is shown in Table 4.4.

Table 4.4 Stepwise deletion of Observable Variables in EFA

Label	Observable Variables
Step 1	
LIQA4	There is predictable fluctuation in client demand for cash
LIQA6	I am not losing customers trust due to liquidity issue
LIQA7	I do not have to deny transaction due to liquidity issue
TECA3	It does not take more time to process single transaction of other banks
TECA10	Transaction alert message is delivered in mobile phone
TECA5	There is no failure in fingerprint recognition of customers
TECA11	Passbook updation facility is provided at CSP
COMA4	I will continue working with the amount of commission earned
COMA6	Commission statement is provided by the Corporate BCs
TRAA3	There is a fixed schedule of training
TRAA8	CBCs provides training regarding financial literacy
INTA4	I can take the risk to deal with fluctuations in financial transactions

Step 2	
LIQA2	I have resources to arrange cash and e-float
LIQA3	There is huge gap between deposit and withdrawal of cash
TECA1	There are no technical difficulties
TECA8	Corporate BC repairs the device immediately if problems occurs in it
COMA8	The amount of commission earned is increasing regularly
TRAA4	Regular re-training is conducted by bank and CBCs
INTA8	Bank Managers provides active support in the BCs activity

Step 3	
LIQA9	Transaction amount limit has no impact on liquidity
TECA9	Transaction failure due to network issues is redressed quickly by BC
INTA3	My closest family members think that I should pursue a career as BC

Therefore, the revised pool of Observable Variables are as follows –

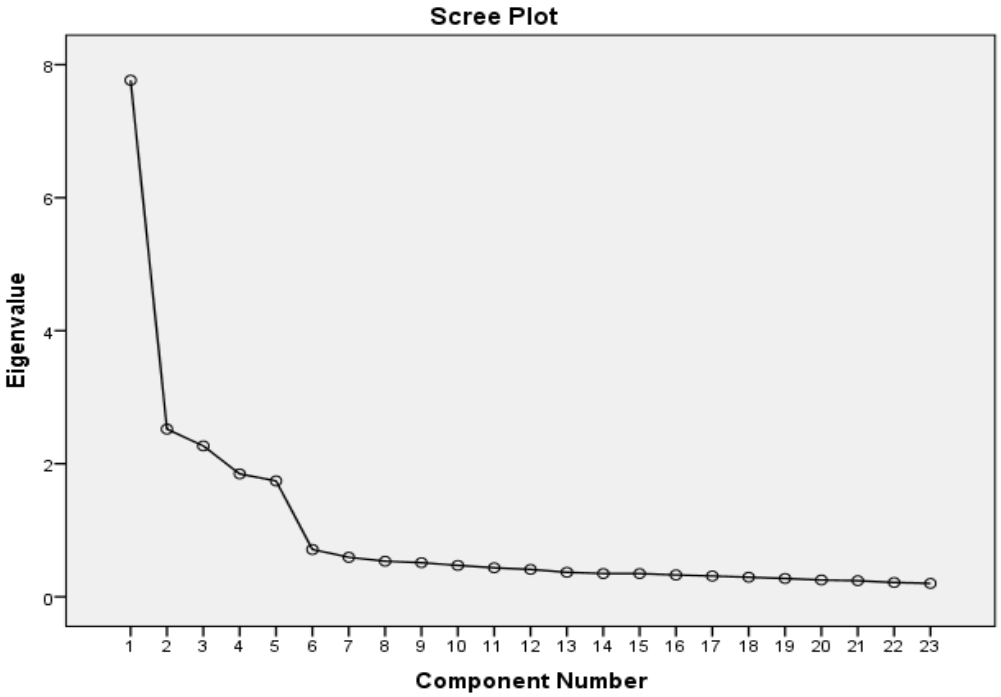
Table 4.5: Revised Pool of Observable Variables

Construct	Label	Observable Variables
LIQUIDITY	LIQA1	I have adequate liquid cash and e-float for maintaining liquidity
	LIQA5	There is cash and e-float support from Corporate BCs
	LIQA10	It takes less time to deposit and withdraw cash from bank branch
	LIQA11	Distance from base branch does not affect liquidity
	LIQA8	There is no security risk in handling large amount of cash
TRAINING	TRAA1	CBCs provides online training materials for self-learning
	TRAA2	CBCs provides training regarding activities and terms & conditions
	TRAA7	CBCs provides training regarding handling of liquidity
	TRAA6	CBCs provides refreshers training regularly
	TRAA5	CBCs provides training regarding client mobilisation and retentions
TECHNICAL	TECA6	There is no interoperability problem
	TECA7	There is on field support by Technology Service Providers (TSPs)

	TECA2	There is a good internet connectivity
	TECA4	There is no service downtime due to server problem
COMMISSION	COMA1	The amount of total commission received per month is transparent
	COMA2	The amount of calculated commission has no errors
	COMA3	The commission is paid without any delay
	COMA7	Increase in number of BC has not affected my commission
	COMA5	My commission can increase with the existing product and service
INTENTION TO CONTINUE	INTA1	I am satisfied with the current status of my business
	INTA5	I expect my business to grow in future
	INTA2	I have the self-efficacy to continue my activities as BC in future
	INTA6	My social status has upgraded in my locality after I took up BC operations

The Scree test criterion is used to decide the optimum number of factors that can be extracted before the unique variance begins dominating the common variance. The latent root is plotted against the number of factors and their resulting shape is used to evaluate the cut-off point.

Figure 4.1: Scree Plot



According to Kaiser (1960), all factors whose criterion is above the eigen value of one is to be retained. Five factors have emerged with a cumulative percentage variance of 70.18, which is beyond the acceptable variance of 60% explained in factor analysis (Hair et al., 2010). Five statements are loaded on factor 1, 2, 3 and four statements are loaded on factor 4 and 5. The eigenvalues for five factors are 7.766, 2.521, 2.268, 1.847, and 1.742. Similarly, the percentage of variance for five factors is 33.76, 10.96, 9.86, 8.03, and 7.57. The Cronbach alpha for five factors are 0.898, 0.894, 0.867, 0.865, and 0.842.The factor loadings, eigenvalues, percentage variance, Cronbach alpha and commonalities are shown in Table 4.6, respectively.

Table 4.6: Varimax Rotated Component Factor Matrices- Factor loadings, Eigen Value, Percentage Variance, Cronbach's Alpha & Communalities

Construct	Label	Factor loadings	Eigen Value	% of Variance	Cumulative % of Variance	Cronbach's Alpha
I	LIQA1	0.829	7.766	33.76	33.76	0.898
	LIQA8	0.817				
	LIQA10	0.8				
	LIQA5	0.785				
	LIQA11	0.778				
II	COMA2	0.827	2.521	10.96	44.72	0.894
	COMA5	0.801				
	COMA1	0.778				
	COMA3	0.749				
	COMA7	0.739				
III	TRAA5	0.838	2.268	9.86	54.58	0.867
	TRAA6	0.809				
	TRAA7	0.771				
	TRAA2	0.748				
	TRAA1	0.717				
IV	TECA7	0.828	1.847	8.03	62.61	0.865
	TECA6	0.805				
	TECA4	0.786				
	TECA2	0.772				
V	INTA5	0.834	1.742	7.57	70.18	0.842
	INTA6	0.809				
	INTA1	0.794				
	INTA2	0.782				

4.7.4 Identification of Factors:

The five construct identified from Table 4.5 and from the Scree plot Figure 4.1 are named as follows:

1. **Factor I -Liquidity Aspect (LIQA)** – Liquidity has emerged as one of the most important factors, which account for 33.76 percent of the total variance. Five statements constitute this factor and are loaded significantly. The statements are LIQA1 (I have adequate liquid cash and e-float for maintaining liquidity), LIQA5 (There is cash and e-float support from Corporate BCs), LIQA8 (There is no security risk in handling large amount of cash), LIQA10 (It takes less time to deposit and withdraw cash from bank branch), and LIQA11 (Distance from base branch does not affect liquidity). These statements denote that Business Correspondents state liquidity as the most important aspect of their functioning. It plays a dominant role in their growth and sustainability. It is a life line for the proper functioning of the BCs and any hindrances in this factor will adversely affect their transactional activity. Ujjawal et al. (2012) found that BC witnessed the liquidity issue in those areas where there is either excess cash deposit or demand for withdrawal, which creates the issue of cash deficit or excess, impacting customers availing service from BCs. Further, the lack of support in providing cash to BCs also adversely affect the overall services. Thus, liquidity is a core function at CSP that has a major impact on the overall transactional activity of BCs.
2. **Factor II - Commission Aspect (COMA)** – This is the second important factor and accounts for 10.96 percent of the total variance. The five statement that consists of this factor includes COMA1 (The amount of total commission received per month is transparent), COMA2 (The amount of calculated commission has no

errors), COMA3 (The commission is paid without any delay), COMA5 (My commission can increase with the existing products and services), and COMA7 (Increase in number of BC has not affected my commission). The Commission is also an important aspect of BC sustainability as their intention to continue their business depends to a larger extent on the amount of commission earned by the BCs while providing banking services. The commission of BCs was high during the launch of PMJDY as a large number of accounts were being opened, which increases their commission but as the number of accounts saturated over time, their commission also took a dip that affected their overall earning capacity. Thus, it is important that regular transaction happens in the account so that regular flow of income accrues to the BCs (PWC, 2015).

3. **Factor III – Training Aspect (TRAA)** – Training Aspect constitute 9.86 percent of the total variance and is the third most influential factor. This factor consists of five statements that are perfectly loaded. It includes TRAA1 (CBCs provide online training materials for self-learning), TRAA2 (CBCs provide training regarding activities and terms and conditions), TRAA5 (CBCs provide training regarding client mobilisations and retention), TRAA6 (CBCs provide refreshers training regularly), and TRAA7 (CBCs provide training regarding handling of liquidity). This factor determines the importance of training among the BCs and customers. George et al. (2016) also stated that training is essential for BCs to acquire adequate customers so that consistent and regular services can be provided to them. Only 59 percent of BCs receive training in India compared to 92 percent in Kenya. Similarly, the collaborative effort of banks with BCs in opening account and improving financial awareness will attract major customers within the domain of BCs in increasing the number of transactions (PWC, 2015).

4. **Factor IV - Technical Aspect (TECA)** – Technical Aspect accounts for 8.03 percent of the total variance. This factor consists of four statements which have been perfectly loaded and include TECA2 (There is a good internet connectivity), TECA4 (There is no service downtime due to server problem), TECA6 (There is no interoperability problem), and TECA7 (There is on field support by Technology Service Providers (TSPs). This factor also plays an important role in providing uninterrupted banking services among the customers residing in the unbanked locations and bringing them within the financial ambit of the formal financial systems. Technical aspects provide a dominant lead in the smooth functioning of the agent banking system by removing the hindrances encountered during the operations of banking services.
5. **Factor V – Intention to Continue Aspect (INTA)** – Intention to Continue Aspect is the fifth most influential factor, which accounts for 7.57 percent of the total variance. Four items which have significantly been loaded in the construct are INTA1 (I am satisfied with the current status of my business), INTA2 (I have the self-efficacy to continue my activities as BC in future), INTA5 (I expect my business to grow in future), and INTA6 (My social status has upgraded in my locality after I took up BC operations). These statements explain the intention of Business Correspondents to continue their business, which plays an important role in determining their continuation as BCs.

4.8. Conclusion

Five constructs have been identified related to operations of the agents which explains seventy percent of the variance. This implies that this chapter has successfully grouped the underlying variables into constructs. The development of the measures being done, it is now essential to confirm the factor structure identified through

Confirmatory Factor Analysis and then explore the relationship of the constructs through Structural Equation Models. These are presented in the next chapter.

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