

ABSTRACT

Financial Inclusion has been on the agenda of policymakers for a long time, as it has been found by several researchers globally that it helps to alleviate poverty. The formal financial system should be inclusive where all the populace, irrespective of their income level, may have convenient and regular access to banking products and services. In India, there is a large majority of the population that lives in villages, and since the number of brick and mortar bank branches is limited, it becomes challenging to accommodate the large number of unbanked people. They are even required to sacrifice their daily wages and pay travel expenses to access the banking services, making it tough to use them consistently.

Accordingly, RBI introduced the Business Correspondents and Facilitator Model in the year 2006 so that rural banking services could be delivered at the doorsteps of villagers. The banks enter into agreements with the Corporate BC, which appoints Business Correspondents in the field to impart the banking services to the clients. Initially, not-for-profit companies along with other individuals were permitted to offer the services, but from 2010 onwards, for-profit companies were also authorized, which changed the path of the agent banking system in the country. Further, with the introduction of the Pradhan Mantri Jan Dhan Yojana, the approach to including the unbanked populations within the banking ambit has entirely changed, with Business Correspondents playing a crucial role in enhancing the financial inclusion program.

There has been no study conducted in the districts of North Bengal regarding the role of business correspondents in accelerating financial inclusion. This study has tried (i) to gauge the outreach and spread of BCs in India and especially in North Bengal; (ii) to examine appointment and monitoring process of BCs by banks and corporate BCs; (iii)

to examine the activities carried out by BCs and find out the income generated from these activities and also whether the income is enough to generate surplus for the BCs after meeting the operating and fixed expenses; (iv) to examine whether the income, expenses and profits differ between different operating models of BCs; (v) to identify and measure the various factors responsible for influencing the intention of BCs to continue their business and (vi) to investigate whether the quality of services perceived by the customers from the BCs and the expectations of quality of services differ.

The present study has been performed in the eight districts of North Bengal in West Bengal, i.e., Darjeeling, Jalpaiguri, Kalimpong, Alipurduar, Coochbehar, Uttar Dinajpur, Dakshin Dinajpur, and Malda provide banking services to customers in rural, semi-urban, and urban areas. The sampling frame was comprised of 3176 BCs from eight public sector banks, including 02 regional rural banks and 02 private sector banks. The minimum sample size computed was 247 BCs, but the sample was set at 318 BCs. The questionnaire was administered using a 5 point scale to the BCs, out of which 13 filled-in questionnaires were rejected and the final sample size stood at 305 BCs, comprising of 190 Kiosk model operators and 115 POS Model operators. Similarly, two sets of questionnaires were presented to the BC customers to measure their perceptions and expectations regarding the quality of services offered by the BCs in their area.

The data obtained was examined using statistical techniques such as descriptive statistics, exploratory factor analysis, confirmatory factor analysis, structural equation model, independent two sample t-test and paired t-test using statistical tools like MS Excel, SPSS 23 and Amos 20. The study revealed that the compounded annual growth rate (CAGR) of bank branches in India from 2010-20 was 4.66 percent, whereas the CAGR of BCs was 41.38 percent over the same period. Similarly, the CAGR of BCs in rural areas was 38.58 percent while in urban areas it was 82 percent. The number of BC

transactions has increased from 26.52 million to 3518.3 million, and the total amount of transactions has grown from 6.92 billion to 8287.95 billion. The bank branches in North Bengal were found to be expanding at a CAGR of 8.3 percent during 2015-19, whereas the CAGR of BCs was 32.32 percent during the same period.

It was also discovered that the appointment of BCs was not uniform throughout the banks, and the branch manager generally visited the BC outlet quarterly once or twice as per convenience, while the corporate BCs controlled the operational and monitoring aspects of the BCs. The average commission generated by the Kiosk Model BC is Rs.275,700 per annum and the POS Model BC gets Rs.1,74,513 per annum. Similarly, the average profit earned by BCs using the Kiosk Model is Rs.1,43,685 per annum and it is Rs.87,963 per annum for BCs using the POS Model.

Further, using the exploratory factor analysis, five constructs were identified with 70 percent of the variance explained, i.e. liquidity aspects, technical aspects, training aspects, commission aspects, and intention to continue their business aspects. CFA was used to confirm the identified factor structure, and model fit indices such as chi-square – 1.73; GFI-0.9; NFI-0.91; CFI-0.96; and RMSEA-0.04 were all good and above the recommended value. The structural relationship was also found to be statistically significant, with the liquidity, training, and technical aspects all having a significant positive relationship with the commission aspect, and the commission aspect having a positive relationship with the intention to continue aspect. SERVQUAL was used using a paired two t-test to assess the expected and perceived service quality of BCs banking services by the customers. It was also observed that there was a difference between the expected and perceived services by the BCs customers and opened the way for a clear message that quality of services play a vital role in getting the unbanked population financially included. This phenomenon will naturally enhance the demand for agency

banking, and once these new customers get the taste of being financially included and have the ease of transaction, they will be induced to carry more transactions and also draw more people into the system.