

Information Communication Technology (ICT) based Business Correspondence Model: A Growing Avenue for Ensuring Financial Inclusion in Rural India.



Gowsya shaik, P. Raja babu

Abstract: *There is a genuine demand for finance requirement in the remote rural areas, absence of formal banking forced private lenders exploit the rural public. Government of India made several attempts towards financial inclusion of the poor, since independence, particularly in rural areas. Lack of financial literacy and no bank branch operation in their remote location restrains them to have access to formal banking. To overcome these constraints the RBI introduced ICT based Business Correspondences as agent to undertake banking activity in the year 2006. Though BC model was successfully performing well, but the growth and share of Business correspondence decreasing gradually. Further, penetration of the usage of mobile technology even in the remote rural areas opens positively for the successful performance of BCs in rural. Hence this research paper is a descriptive study which focuses on understanding BCs as a growing avenue for ensuring financial inclusion in Rural India.*

Keywords: *Financial Inclusions, Business Correspondences, Banking branch outlets.*

I. INTRODUCTION

Financial inclusion has been regarded as an important mechanism for the realisation of socio-economic objectives of a country. Poverty eradication, removal of disparities, providing sustainable livelihood to all the sections of the people are the key issues, dealt by the administrative of a nation through effective implementation of financial inclusion mechanism. Financial exclusion- lack of access by certain sections of the society to appropriate low cost, fair and safe financial products and services is key hindrance for the achieving inclusive growth, because inclusive growth is possible only when all the sections of people participate in the growth process and obtained fruits of growth.

Financial inclusion enhances the ability of individuals to access appropriate financial products and services at an

affordable cost. Financial Inclusion focused on the aspects of innovative way of delivering all financial products and services to the unbanked areas and inculcating the habit of savings among low income categories. Several attempts have been made to bring unbanked rural population into the formal banking system such as co-operative movement, priority sector lending, lead bank schemes, microfinance, kisan credit cards, Business Correspondences etc. Among them, ICT based BCs has played significant impact in reaching the rural and unbanked population. BCs are became potential channel of banks and financial institutions and ensures the process of financial inclusion in bringing the rural unbanked population within the orbit of banking. In order to overcome the limitations associated with the model of brick and mortar branches, the model of Business correspondences was introduced in the year 2004. State Level Banking Committee, headed by lead bank constituted, which monitors the appointment of BCs in every villages on commission basis and guides financial inclusion plan in which targets are fixed to cover the unbanked villages. The present study focused on the potential of BCs in bringing unbanked rural population under the banking hold and enhancing the level of financial inclusion of rural population in comparison with Bank branch outlets and other modes in Andhra Pradesh.

II. REVIEW OF LITERATURE

- Garg et.al. (2016) the number of Business Correspondences should be employed and post offices also are used optimally utilized in order to reduce the gap between demand and supply in delivering the financial services. He also suggested the expansion of business correspondence model is ideal for the better service delivery.
- Singh et.al (2014) explained need of utilization of existing resources such as Indian post-offices and public distribution system for the delivery of banking services.
- Jessica et.al. (2014) highlights the dissatisfaction of business correspondence as non-recognized agents and delayed payments of commission by banks and financial institutions.
- Grameen Foundation (2013), in this working paper discussed the operational challenges in the field by the business correspondence, they mentioned observations like there is lack of awareness among the public, high charges for services and diversification of portfolio offered by the BCs,

Manuscript published on 30 September 2019

* Correspondence Author

Gowsya Shaik*, Research Scholar, K L Business School, Koneru Lakshmaiah Education Foundation, Vaddeswaram, AP, India. Email: gowsyashaik@kluniversity.in

Dr. P. Raja Babu, Associate Professor, K L Business School, Koneru Lakshmaiah Education Foundation, Vaddeswaram, AP, India. Email: dr.prb@kluniversity.in

© The Authors. Published by Blue Eyes Intelligence Engineering and Sciences Publication (BEIESP). This is an [open access](https://creativecommons.org/licenses/by-nc-nd/4.0/) article under the CC-BY-NC-ND license <http://creativecommons.org/licenses/by-nc-nd/4.0/>

Information Communication Technology (ICT) based Business Correspondence Model: A Growing Avenue for Ensuring Financial Inclusion in Rural India

further they mentioned that the BCs are mainly concentrating on offering no frill accounts which forces people to approach bank branches for the other financial services.

- Chopra et.al (2012), discussed about the sustainability of BC model can generate profits by linking the value added service like insurance, electronic benefit transfer, recurring deposits to no frill accounts.
- Bhatia and Chatterjee (2010), conducted a study on financial inclusion in the slums of Mumbai. They mentioned the poor state of financial inclusion as one-third of the respondents had a savings bank account and only two respondents had loan account with banks.
- Subbarao (2009) mentioned that BC model is an important initiative of RBI which is a vital instrument in filling the gap between demand and supply of delivering the financial products and services to un accessed rural public.
- Kamat (2007) emphasized the significance of branchless banking in expanding the delivery of financial services to unbanked rural population.
- Sendhilvelan and Karthikeyan (2006) focused on the significance of no frill accounts for ensuring financial inclusion and need of giving wide publicity particularly among rural households.

III. NEED FOR THE STUDY

Economic and Financial stability are the vital prerequisites for the growth of any country's economy. Establishing the strong financial system where all the citizens could participate will ensure economic stability and development of the country. An effective financial intermediation process will provide deep and broad access to formal financial services to all the sections of the country and promotes the growth. In this connection the process of financial inclusion has gained much significance in bringing out the households to access financial products and services. There are number of challenges hit the process of financial inclusion such as limited network of bank branches, procedural rigidity, financial illiteracy, lack of relevant products and distance of branch. In view of overcoming these challenges, Reserve Bank of India permitted the banks to appoint Business Correspondents on commission basis to reach the outreach. It is very much necessary to understand the performance of Business correspondences as a viable channel in comparison with bank branch outlets and other modes to meet the promise of reaching basic financial services to the underprivileged and unbanked population. Hence this research paper 'Business correspondences: an evaluative study on the performance in comparison with bank branch outlets and other modes in the rural households', will focus on understanding the performance of commercial banks through Business correspondences compare with bank branch outlets and other modes in the rural households.

IV. OBJECTIVES

1. To study the role of Business Correspondences in reaching underprivileged and unbanked population.
2. To study the performance of Business correspondences as viable channel of commercial banks in comparison with

bank branch outlets and other modes in the rural households

V. METHODOLOGY

The study is purely based on secondary data with exploratory cum analytical approach. The data has been collected from the following publications and reports:

1. RBI Report on Banking & Financial Institutions in India: Annual reports (2010 to 2018)
2. Annual Reports of Commercial Banks, various issues (2010 to 2018)

Tools used are 1. Simple Annual Growth rate, 2 Percentage to total

Emergency of Business Correspondences as a viable channel of banks and financial institutions

Business Correspondences (BCs) emerged as a potential and viable channel of banks and financial institutions to ensure all financial services and products to underprivileged and unbanked population, in January 2006 based on the recommendations of Khan Commission, which were incorporate in the mid-term review of the policy (2005-06). Reserve Bank of India has given permission to commercial banks including Rural Regional Banks (RRBs) and local bank to adopt the technology based agent bank model through Business Correspondents (BCs)/Business Facilitators (BFs). These are being acknowledged as an alternative banking structure to branch based banking services or branch less banking of banking operations. Though the BCs and BFs carry similar transaction, but the former has got permission to carry out the transactions on behalf of the bank as an agent, later one cannot have such permission, however in this model both the services enables commercial banks to use the services of Non-governmental organizations (NGOs), self-help groups (SHGs), Micro finance institutions (MFIs), farmer clubs, cooperatives, community based organizations, post offices, insurance agents, IT enabled rural outlets of corporate entities etc.

VI. ROLE OF BUSINESS CORRESPONDENCE

A. Role as a Gap-Filler:

BCs are act as gap-filler between the banks and un-served rural clients. The primary role of the BCs is to ensure door delivery of the financial products and services to those who remained financially excluded from the formal banking fold.

B. Role of Counselor:

The very reason for the rural population has remained unbanked is financial illiteracy, where rural public unaware of various products and services rendered by the banking institution, at this juncture BCs played a significant role not only creating awareness on various financial products and services but also counsel the rural public on managing money, loans and debts.

C. Role of Promoting and Monitoring:

Promotes, Nurture and monitor various groups such as Self Help Group, joint liability group, credit groups, also has close monitor on pre, post loan sanction and recovery.

D. Role as a selling and processing agent:

BCs are involved as Identification of borrowers, selling various financial products including sale of micro-finance and mutual funds products. Collection and preliminary processing of loan applications including verification of primary information related rural customers.

VII. PERFORMANCE OF BUSINESS CORRESPONDENCES AS VIABLE CHANNEL OF COMMERCIAL BANKS

There is growing significance for BCs with the recommendations made by the high level committee headed by Smt. Usha Thorat to review lead bank schemes, which submitted its report in August 2009, when the lead banks were asked to draw a road map to made accessible all the banking services to every village having population more than 2000 by

the end of March 2000 through any of the various forms of ICT-based models.

VIII. Growth of Business Correspondences in India during 2010 to 2018:

The commercial banks were asked to submit Financial Inclusion Plan by Reserve Bank of India to evaluate their performance and measure the level of financial inclusion in terms of number of Bank Branch outlets, Business correspondences and other modes which include ATMs and Satellite branches, Basic Savings Bank Deposits (BSBDs), BC- ICT transactions etc. Commercial banks were submitting these FIPs from January 2010 onwards which are to be evaluating, phase wise for every 3years so far 2 phases of evaluation over, third evaluation will be done at the end of financial year of 2019. The table 1 represents the growth of banking out lets in terms of Branches, BCs and other modes and total banking out lets. In order to have comprehensive study evaluation has been done phase wise.

Table: 1 Growth rate of Banking Outlets in braches wise, BCs wise, other modes and the total Banking outlets (Cumulative figures)in villages of India during 2010 to 2018

		In Numbers								
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Branches	33,378	34,811	37,471	40,837	46,126	49,571	51,830	50,860	50,805	
Growth Rate		4.12	7.10	8.24	11.47	6.95	4.36	-1.91	-0.11	
BCs	34,174	80,802	1,41,136	2,27,617	3,37,678	5,04,142	5,31,229	5,43,472	5,15,317	
Growth Rate		57.71	42.75	37.99	32.59	33.02	5.10	2.25	-5.46	
Other Modes	142	595	3,146	3,146	3,146	3,146	3,248	3,761	3,425	
Growth Rate		76.13	81.09	0.00	0.00	0.00	3.14	13.64	-9.81	
Total	67,694	1,16,208	1,81,753	2,68,454	3,83,804	5,53,713	5,86,307	5,98,093	5,69,547	
Growth Rate		41.75	36.06	32.30	30.05	30.69	5.56	1.97	-5.01	

Source: RBI Report on Banking & Financial Institutions in India: Annual reports (2010 to 2018)



Information Communication Technology (ICT) based Business Correspondence Model: A Growing Avenue for Ensuring Financial Inclusion in Rural India

Growth of BCs in total Bank Branch outlets in villages: Evaluation of Financial Inclusion Plan-Phase 1(2010 to 2013)

It may be observed from the above table 1 which depicts data related to growth of branches, BCs, other modes and total number of Banking outlets in villages, out of which BCs made a remarkable expansion in terms of Number which increased from 34,174 million in 2010 to 2,27,617 millions in 2013, banking branch outlets remain slight increase in terms of number, which increased 33,378 million to 40,837 million in 2013, bank outlets in other modes also increased significantly from 142 million in 2010 to 3,146 million in 2013.

Table:2 Percentage of Share Banking outlets in branches wise, BCs wise and other modes to the total Banking outlets (Cumulative figures) in villages of India during 2010 to 2018

Year	In Numbers								
	2010	2011	2012	2013	2014	2015	2016	2017	2018**
Branches	33,378	34,811	37,471	40,837	46,126	49,571	51,830	50,860	50,805
% of Share	49.31	29.96	20.62	15.21	12.02	8.95	8.84	8.50	8.92
BCs	34,174	80,802	1,41,136	2,27,617	3,37,678	5,04,142	5,31,229	5,43,472	5,15,317
% of Share	50.48	69.53	77.65	84.79	87.98	91.05	90.61	90.87	90.48
Other Modes	142	595	3,146	3,146	3,146	3,146	3,248	3,761	3,425
% of Share	0.21	0.51	1.73	1.17	0.82	0.57	0.55	0.63	0.60
Total	67,694	1,16,208	1,81,753	2,68,454	3,83,804	5,53,713	5,86,307	5,98,093	5,69,547
% of Share	100	100	100	100	100	100	100	100	100

Source: RBI Report on Banking & Financial Institutions in India: Annual reports (2010 to 2018)

The total number banking outlets in villages also increased from 67,694 million in 2010 to 2,68,454 million in 2013. After the initiation of FIP in year 2011, there is tremendous record of incremental growth rate in all categories of banking outlets except banking branch outlets with the growth rate of 4.12 per cent, whereas BCs recorded 57.71 per cent, other modes recorded highest growth rate of 76.13 per cent, the total banking outlets also recorded growth of 41.75 per cent, however at end of 2013 BCs are decreased to 37.99 percent, the total banking outlets decreased to 32.30 per cent, but the bank branch outlets recorded incremental growth rate of 8.24 per cent.

Evaluation of Financial Inclusion Plan-Phase 2(2014 to 2016)

In the second phase of financial inclusion plan (2014-16), there is a slight increase of number all modes, in which bank branch outlets increased to 51,830 millions in 2016 from 40,837 million in 2013, and recorded incremental growth rate of 11.47 per cent in 2014, but later period of evaluation in declined as 6.95 per cent in 2015 and 4.36 per cent in 2016. The number of business correspondences also increased to 5,31,229 million in 2016 from 2,27,617 million in 2013 and recorded drastic decline growth rate from 37.99 per cent in the year 2013 to 5.10 per cent in 2016. There is no growth of number of other modes recorded as 3,146 millions up to 2015, there was a slight incremental growth as a 3,248 million and recorded growth rate of 3.14 per cent.

Evaluation of Financial Inclusion Plan-Phase 3(2017 to 2018)

In fact the third phase FIP evaluation will be need to be done, present data for study is available up to 2018, it may be clearly visualized that almost all modes of banking outlets are entered in to negative growth rate at the end of 2018, recorded branch wise as negative growth of 0.11 percent, BC's wise negative growth of 5.46%, other modes wise negative growth of 9.81%

Share of BCs in total Bank Branch outlets in villages Evaluation of Financial Inclusion Plan-Phase 1(2010 to 2013)

It may be observed from table 2, which depicts data related to share of branch outlets, Business Correspondents, other modes in total branch outlets in villages, the share of business correspondents has been recorded significant growth in total banking outlets in villages, which increases from 50.48 per cent in 2010 to 84.79 per cent at the end of 2013, whereas there is decrement share of growth has been recorded in case of bank branch outlets, which decreased from 49.31 per cent to 15.21 per cent, other modes of bank branch outlets recorded slight incremental growth of 1.73 per cent in 2012 from 0.21 per cent in 2010.

Evaluation of Financial Inclusion Plan-Phase 2(2014 to 2016)

In the second phase of evaluation also the business correspondence has lion-share of which increased from 84.79 per cent in 2013 to 90.61 per cent in 2016, where as the share of bank branch outlets decreased to 8.84 per cent in 2016 from 15.21 per cent in 2013. The other modes also recorded decline growth rate from 1.17 per cent to 0.55 per cent in 2016.

Evaluation of Financial Inclusion Plan-Phase 3(2017 to 2018)

In the third phase of evaluation, the share of Business correspondences are increased from 90.61 per cent in 2016 to 90.87 per cent in 2017, later decreased to 90.48 percent in 2018, where as the share of bank branch out let also increased from 8.84 per cent in 2016 to 8.92 per cent in 2018. The other modes share slightly increased to 0.63 per cent in 2017 from 0.55 per cent in the year 2018.

IX. Growth of the number of Basic Savings Bank Deposit Accounts (BSBDA) through BCs in villages

Reserve Bank of India (RBI) advised all the banks to offer a Basic Savings Bank Deposit Account with minimum common facility such as normal banking with minimum balance and ATM card or ATM-cum-Debit cards, and no service charge has been levied either on the non-operation or activation of these accounts. While opening up a BSBDA, if the customer has other savings bank deposit accounts in bank they should close those accounts within the 30 days of opening of a BSBDA and the existing no-frills accounts will be converted to BSBDA.

Table3: Growth rate of Basic Savings Bank Deposit Accounts through Branches and BCs during the years of 2010 to 2018

No. in Million						
Year	Through branches	Growth Rate	Through BCs	Growth Rate	Total	Growth Rate
2010	60.19		13.27		73.45	
2011	73.13	17.69	31.63	58.05	104.76	29.89
2012	81.2	9.94	57.3	44.80	138.5	24.36
2013	100.8	19.44	81.3	29.52	182.1	23.94
2014	126	20.00	116.9	30.45	243	25.06
2015	210	40.00	188	37.82	398	38.94
2016	238	11.76	231	18.61	469	15.14
2017	254	6.30	280	17.50	533	12.01
2018	247	-2.83	289	3.11	536	0.56

Source: RBI Report on Banking & Financial Institutions in India: Annual reports (2010 to 2018)

Evaluation of Financial Inclusion Plan-Phase 1(2010 to 2013)

Table 3 depicts the data related to growth of Basic Savings Bank Deposit Accounts through Branches and Business Correspondences, which reflects increase of BSBDA Accounts in both Branches and Business Correspondences the former one increased from 60.19 million in 2010 to 100.8 millions, recorded growth rate as 17.69 per cent in 2010 which drastically decreased to 9.94 per cent in the year 2011, later it increased to 19.94 per cent, later one, the number BSBDA through business correspondence increased to 81.3 million in 2013 from 13.27 millions in 2010, recorded decrement growth rate of 29.52 per cent in 2013 from 58.05 per cent, the total number of bank branch outlets in villages are 73.45 million in 2010 to 182.1 millions at end of 2013, however the growth rate decreased from 29.89 per cent in the year 2010 to 23.94 per cent in the year 2013.

Evaluation of Financial Inclusion Plan-Phase 2(2014 to 2016)

In the second phase of evaluation also the branch outlets contribute major number of BSBDA compare with BCs and other modes, which increased from 100.8 million in 2013 to 238 million in 2016 and recorded highest growth rate of 40 per cent in the year 2015. The number of business correspondences also significantly increased on par with the number of branch outlets, which increased from 81.3 million in 2013 to 231 million in the year 2016 and recorded highest

growth rate of 37 per cent in the year 2015. The total number of banking branch outlets in villages has increased from 182.1 million in 2013 to 469 million and recorded highest growth rate of 38.94 per cent in the year 2015.

Evaluation of Financial Inclusion Plan-Phase 3(2017 to 2018)

In the third phase of evaluation, the growth of number of branch outlets were lower than the business correspondences during the year of 2018 the number of business correspondences are 289 millions and branch outlets are 247 million.

Share of the number of Basic Savings Bank Deposit Accounts (BSBDA) through BCs in villages

Table 4: Percentage of Basic Savings Bank Deposit Account through Branches and BC's to the Total BSBDA at the end of March 2010 to 2018.

Number in Million						
Year	Through branches	%Share	Through BCs	%Share	Total	%Share
2010	60.19	81.95	13.27	18.07	73.45	100.00
2011	73.13	69.81	31.63	30.19	104.76	100.00
2012	81.2	58.63	57.3	41.37	138.5	100.00
2013	100.8	55.35	81.3	44.65	182.1	100.00
2014	126	51.85	116.9	48.11	243	100.00
2015	210	52.76	188	47.24	398	100.00
2016	238	50.75	231	49.25	469	100.00
2017	254	47.65	280	52.53	533	100.00
2018	247	46.08	289	53.92	536	100.00

Source: RBI Report on Banking & Financial Institutions in India: Annual reports (2010 to 2018)

Evaluation of Financial Inclusion Plan-Phase 1(2010 to 2013)

Table 4 reflects data related to the share of the total number BSBDA through the branches and BCs to BSBDA at the end of March 2010 to 2018. It clearly indicates fallen share growth of bank branch outlets, which records as a 55.35 per cent in 2013 fallen from 81.95 per cent in 2010, whereas in the case of Business Correspondences, though the share in number wise low in comparison with branches but there is a consistent increased growth rate of 44.65 per cent in 2013 from 18.7 per cent in the year 2010.

Evaluation of Financial Inclusion Plan-Phase 2(2014 to 2016)

In the second phase of evaluation, the number business correspondences are increased on equal with branch outlets, where branch outlets were 238 million with 50.75 per cent and business correspondences are 231 millions and also recorded 49.25 per cent in the year 2016.

Evaluation of Financial Inclusion Plan-Phase 3(2017 to 2018)

In the third phase of evaluation, the share of business correspondences has been increased than branch outlets, during the year 2018, the number of business correspondences are 247 millions with 46.08 per cent where as the number of branch outlets are 289 millions with 53.92 per cent.

Information Communication Technology (ICT) based Business Correspondence Model: A Growing Avenue for Ensuring Financial Inclusion in Rural India

X. Growth of the Amount of Basic Savings Bank Deposit Accounts (BSBDA) through BCs in villages

Evaluation of Financial Inclusion Plan-Phase 1(2010 to 2013)

It may be observed from the table 5, which depicts data related to growth rate of Basic Savings Bank Deposit Accounts through branches and BCs at end of March 2010 to 2018, that the total amount of BSBDA deposits collected through branches are higher than compare with business Correspondences, particularly in the first phase of evaluation between 2010 and 2013, amount of deposits increased from Rs.44.3 billion in 2010 to Rs.164.7 billion in 2013 and recorded increased growth rate of 47.31 per cent in the year 2012 from 23.42 per cent in 2010, later the growth decreased to 33.29 per cent in 2013. The amount of deposits collected through business correspondence though it is very low compare with branches, but increased from Rs. 10.69 billion in 2010 to Rs. 8.23 billion in 2011 and recorded growth rate of 41.36 per cent in 2010, later periods of study it recorded the negative growth of 72.96 per cent in 2012, but during 2013 it increased to growth of 42.09 per cent.

Table 5: Growth Rate of Basic Savings Bank Deposit Accounts through Branches and BC's during the year of 2010 to 2018

Amt. in ` Billion						
Year	Through branches	Growth Rate	Through BCs	Growth Rate	Total	Growth Rate
2010	44.33		10.69		55.02	
2011	57.89	23.42	18.23	41.36	76.12	27.72
2012	109.87	47.31	10.54	-72.96	120.41	36.78
2013	164.7	33.29	18.2	42.09	182.9	34.17
2014	273.3	39.74	39	53.33	312.3	41.43
2015	365	25.12	75	48.00	440	29.02
2016	474	23.00	164	54.27	638	31.03
2017	691	31.40	285	42.46	976	34.63
2018	731	5.47	391	27.11	1,121	12.93

Source: RBI Report on Banking & Financial Institutions in India: Annual reports (2010 to 2018)

Evaluation of Financial Inclusion Plan-Phase 2(2014 to 2016)

In the second phase of FIP evaluation, the amount collected through branches were significantly increased compare with Business correspondences, which has raised from Rs.164.7 billion in the year 2013 to Rs.474 billion and recorded highest growth rate of 39.74 per cent in the year 2014, the amount collected through business correspondences were also increased from Rs.18.2 billion to Rs.164 billion, compare with bank branch outlets it recorded increased growth rate of 54 per cent in the year 2016.

Evaluation of Financial Inclusion Plan-Phase 3(2017 to 2018)

In the third phase of last two years the amount of deposits received by the branch outlets are increased from Rs.474 billion in the year 2016 to Rs.691 billion in 2017 with 31.40 percent growth rate, but the growth rate has been decreased to 5.47 per cent during 2018. Contribution of business correspondences also increased to Rs. 391 billion and recorded growth rate of 42.46 per cent in 2017, and 27.11 per cent in 2018.

Share of the amount of Basic Savings Bank Deposit Accounts (BSBDA) through BCs in villages

Table 6: %Share of Basic Savings Bank Deposit Accounts through Branches and BCs To the total BSBDA during the years of 2010 to 2018

Amt. in ` Billion						
Year	Through branches	%Share	Through BCs	%Share	Total	%Share
2010	44.33	80.57	10.69	19.43	55.02	100.00
2011	57.89	76.05	18.23	23.95	76.12	100.00
2012	109.87	91.25	10.54	8.75	120.41	100.00
2013	164.7	90.05	18.2	9.95	182.9	100.00
2014	273.3	87.51	39	12.49	312.3	100.00
2015	365	82.95	75	17.05	440	100.00
2016	474	74.29	164	25.71	638	100.00
2017	691	70.80	285	29.20	976	100.00
2018	731	65.21	391	34.88	1,121	100.00

Source: RBI Report on Banking & Financial Institutions in India: Annual reports (2010 to 2018)

Evaluation of Financial Inclusion Plan-Phase 1(2010 to 2013)

It may be observed from the table 6 that the branches have the lion share in the total amount of deposits collected by all the banking outlets in villages, out of total deposits Rs.55.02 billion branches collected deposits of Rs.44.33 billion in 2010, out of Rs.76.12 billion, Rs.57.89 billion in 2011, out of Rs.120.41 billion, the share is Rs.109.87 billion in 2012 and in the year 2013 the total amount of deposits are Rs.182.9, out of that the share is Rs.164.7 billion, the percentage of share was increased from 80.57 per cent in 2010 to 90.05 per cent in the year 2012. Business correspondences have very minor share and percentage varied in between 10.69 to 18.23 during first phase of evaluation.

Evaluation of Financial Inclusion Plan-Phase 2(2014 to 2016)

In the years between 2014 to 2016, it may be observed that though as in the first phase branch outlets had lion share, there is decreasing in growth rate, in 2013 the growth was 90.05 per cent, whereas BCs are 9.95 per cent, the former one decreased to 74.29 per cent and later one increased to 25.72 during 2016.

Evaluation of Financial Inclusion Plan-Phase 3(2017 to 2018)

During the period between 2017-2018 also though the branch outlets has major share in the total banking outlets in villages compare with BCs, but the percentage of share has been decreasing, however in the case of BCs the percentage of share is increasing.

IV. Growth of the number of Information and Communication Technology based Accounts (ICT-A/Cs) through BCs Transaction in villages

The Government and Reserve Bank of India (RBI) together made number of initiatives to include rural poorer to access services of the financial institutions and banking services, as part of the initiation towards Information and

Communication Technology based Accounts, has played vital role in reducing cost of financial products, brings financial sustainability, encourage open small accounts and will become source for savings. There are number of ICT based innovative initiations such as ATMs, Smart Cards, PoS, M-Banking, and Kiosks etc. more ever these ICT based Accounts are became effective channel to transfer the benefits and subsidies of the either central, or state governments directly to poorer of poorer in rural population.

Table 7: Growth rate of ICT A/Cs- through BCs Transaction during the years of 2010 to 2018

No. in Million		
Year	Through BCs	Growth Rate
2010	26.52	
2011	84.16	68.49
2012	155.87	46.01
2013	250.5	37.78
2014	328.6	23.77
2015	477	31.11
2016	827	42.32
2017	1,159	28.65
2018	1,489	22.16

Source: RBI Report on Banking & Financial Institutions in India: Annual reports (2010 to 2018)

Evaluation of Financial Inclusion Plan-Phase 1(2010 to 2013)

The table 6 depicts data related to growth rate of number ICT based Accounts during the years of 2010-2018, it may be observed that during the first phase of evaluation the ICT based Accounts are increased from 26.52 million in the year 2010 to 250.5 million in 2013, however the growth rate was very high and recorded as 68.49 per cent in the year and gradually decreased to 46.01 per cent in the year 2012 and again came down to 37.78 per cent in the year 2013.

Evaluation of Financial Inclusion Plan-Phase 2(2014 to 2016)

In the second phase of evaluation the ICT base account were increased from 250.5 million to 827 million, it recorded low growth rate compare with 2013, however during 2016 it increased to 42.32 per cent.

Evaluation of Financial Inclusion Plan-Phase 3(2017 to 2018)

In the third phase of evaluation the growth rate has been declined and recorded as 28.65 per cent in 2017 and 22.16 per cent in 2018.

XI. Growth of the amount of deposits collected through Information and Communication Technology based Accounts (ICT-A/Cs) through BCs Transaction in villages.

Table 8: Growth rate of ICT A/Cs- through BCs Transaction during the years of 2010 to 2018

Amt. in ` Billion		
Year	Through BCs	Growth Rate
2010	26.52	
2011	58	54.28
2012	97.09	40.26
2013	233.9	58.49
2014	524.4	55.40
2015	859.8	39.01
2016	1,687	49.03
2017	2,652	36.39
2018	4,292	38.21

Source: RBI Report on Banking & Financial Institutions in India: Annual reports (2010 to 2018)

Evaluation of Financial Inclusion Plan-Phase 1(2010 to 2013)

The table 7 reflects the growth rate of amount of deposits collected through BCs-ICT based Accounts, during the first phase of evaluation (2010-2013), there is a moderate increase of amount of deposits from Rs.26.52 billion in 2010 to Rs.97.09 billion in 2012, however there is predominant increase of amount to Rs.233.9 billion in the year 2013 and also recorded fluctuate growth rate between 40.26 per cent to 58.49 per cent during 2010 to 2018.

Evaluation of Financial Inclusion Plan-Phase 2(2014 to 2016)

The amount through ICT based accounts collected through BCs are increased to 233.9 billion in 2013 to Rs.1687 billion in 2016, during this phase the growth rate recorded in between 39.01 per cent to 55.40 per cent.

Evaluation of Financial Inclusion Plan-Phase 3(2017 to 2018)

The amount through ICT based accounts collected through BCs are increased, however during this phase the growth rate slightly decreased and recorded as 36.39 per cent in the year 2017 and 38.21 per cent in 2018.

OBSERVATIONS:

1. The growth rate of three modes (Branch wise, BCs wise and others) started positively in the initial years of evaluation but the end of 2018 recorded negative growth rate. In number wise Business Correspondences occupied lion share of more than 90 per cent in total number of banking outlets in villages.
2. Banking branch outlets contributes major number of Basic Savings Bank Deposit Accounts (BSBDA), compare with BCs and other modes with moiré than 80 per cent in the initial years of first phase of evaluation, but later period of evaluation not only equalize the contribution of branches but also surpasses and occupied the share of more than 53 per cent compare with branches.



Information Communication Technology (ICT) based Business Correspondence Model: A Growing Avenue for Ensuring Financial Inclusion in Rural India

- Though the number of BCs were increased than the number of branch outlets, but the amount collected as BSBDA through BCs were very low compare with branch outlets, the branch outlets were significantly increased and possesses the share of more than 90 per cent in the first and second phase of evaluation of FIP, however the share of BCs were increased moderately in the third phase of evaluation.
- Business Correspondences as a branchless banking outlets, offers information and communication technology based accounts such as ATMs, Smart Cards, POS, Kisoks etc., has been increased during the period of 2010 to 2018, which indicates effectiveness of business correspondence in penetrating banking services in to the rural population.
- During the period of 9years (2010-19), business correspondences has been done the business of deposits collection Rs.4,292 billion through opening of 1,489 billion ICT based accounts, with the initiation of government money transfer schemes, particularly with the opening of Jan-Dhan accounts schemes in 2014.
- Renuka B., & V. (volume 2, issue1,2015). BC model for Financail Inclusion through Business correspondents perspective DAWN: *Journal for contemporary Research in Management* , 27-34.
- Singh., D. (Volume 5, issue 7, July 2017). "Financial Inclusion &Implementation of Jan Dhan Yojana-Information Technology as Enabler. *International Journal of Scientific Research and Management (IJRM)* , 5813-5918.
- Singh.C.et.al. (https://www.iimb.ernet.in/reseach/sites/default/files/WP_No.474.pdf. 2014). "Financial Inclusion in India :Select issues". *IIMB working paper (4/4)* , 1-43.
- Subbarao, D. (December 9,2009a). "Financial Inclusion Challenges and opprtunities ". *Speech Delivered by Dr.Duvvuri Subbarao,Governor,Reserve Bank of India,Bankers Club Kolkata* .
- Umopathy, D. A. (2012). "Evaluation of Finacnail Literacy Traning Programmes in India: A scoping Study',Centre for Micro Finacne. *IFMR-LEAD* .
- Usha, T. (2006). "Financial Inclusion Millenium Development Goals" Speech at thr 4th Program on Human Development and state Finance Jointly organized by college of Agriculture Banking ., *Reserve Bank of India,UNDP and the planning commission at CAB on january16,at Pune* .
- V., K. R. (2012). "State of Business Correspondents Industry in India-The Suply side Story". *Micro save* , .

CONCLUSION:

The ICT based Business correspondence model was initiated in 2006 to provide banking products and services at reasonable and easy access to the poor people in the villages. Being a personalized service agent and technology driven, the BC model played a critical role in penetrating in to the look and corner of villages and opening large number of BSBDA and ICT based Accounts particularly with the initiation of Jan-Dhan accounts during the recent period. The BC model is a useful instrument in bringing overall community development and social empowerment. The Business correspondents' year by year is recording incremental growth of percentage share in total banking outlets in villages in India and in the first phase and second phase of Financial inclusion plan BCs perform remarkably but at end of third phase the performance of BCs drastically moving towards decline, however in the case of ICT based Accounts are increased. Hence at this juncture the banks need to rejuvenate a viable business model for BCs and they suppose to integrate it with their overall business policies.

REFERENCES:

- R., K. (2007). "Financial Inclusion vis-a -vis Social Banking ". *Economic and political Weekly* , Vol.42.No.15.pp.1334-1335.
- Agarwal, S. a. (2014). "Financial inclusion in India a Review of Initiatives and Achievements". *Jour.nal of Business and Management (IOSR-JBM)*,16 .
- Aggarwal, M. (2014). Financial Inclusion in India:Challenges and opprtunities. *International Journal of Research* , 557-567.
- Arnav, B. N. (2010). "Financial Inclusion in the slum of Mumbai". *Economic and Political Weekly,Vol.XLV,No.42, Oct-16* , 23-26.
- Damodaran, A. (2012). Financial Inclusion :Issues and Challenges. *AKGEC international Journal of Technology*.4(2) , 54-59.
- G, M. S. (2012). "Financial Inclusion Through Inclusive Banking in Kolhapur District" in Roji George, Subramoniam Kand Krishna M (Eds.). *Recent Trends in Finance and Banking, Excel Publishers, New Delhi* , 59-70.
- Garg,P., V. (2016). Pradhan MAntri AJn Dhan Yojana (PMJDY):A Step towards eradicating financial untouchability. *Indian Journal of Finance* 10(1) , 56-64.
- Handoo,J. (2010). "Financial Inclusion in India:Integration of Technology,Policy and Market at Bottom of the Pyramid . <http://ssrn.com/abstract/1628564> .
- Karthikeyan, S. M. (2006). "No Frills' Account: A Basic Drive for Financial Inclusion". *South Economist,Vol.45,No.3* , 13-14.

AUTHORS PROFILE



Gowsya Shai, completed MBA (Finance &Marketing),in the year 2011,M.com(Accounts) in the year 2017.Worked as Nimra College of Engineering and Technology for the period of 6 years. Later Joined in Full Time Research Scholar in KL Business School, Koneru Lakshmaiah Education Foundation, Vadeeswaram, Andhra Pradesh India .My area of research is Finance, topic on Financial Inclusion .Published 4 Scopus articles and three UGC approved journals.



Dr. P. Raja Babu , Assoc. Professor ,Research Head (Finance) in KL Business School, Koneru Lakshmaiah Education Foundation, Vadeeswaram, Andhra Pradesh India, Having 22 years of experience in teaching published 58 research papers out of which 18 Scopus indexed,15 UGC and 25 EBSCO and Google Scholar. Under his guidance two PhD's are awarded. He has Submitted ICSSR Research Project during 2015-16.