

ASSESSMENT OF BANK MITRS (BMs)

under Pradhan Mantri Jan Dhan Yojana
(PMJDY) - Round-II

Andhra Pradesh, Bihar, Chhattisgarh, Gujarat,
Jharkhand, Madhya Pradesh, Odisha,
Rajasthan and Uttar Pradesh

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Executive Summary

To track the progress of Pradhan Mantri Jan Dhan Yojana (PMJDY) with focus on the presence and performance on Bank Mitrs (BMs), *MicroSave* conducted the second round of assessment of the scheme. The assessment and analysis of PMJDY was supported by the Bill & Melinda Gates Foundation under guidance from the Department of Financial Services, Ministry of Finance, Government of India.

The second round of field research built upon the dipstick study conducted by *MicroSave* in October-November 2014, which focussed on parameters related to BM performance, such as BMs' availability, transaction readiness, branding and service quality, while also examining the status of *Aadhaar* availability with customers and its linkage to PMJDY accounts. The second round places more emphasis on supply and demand side aspects, over and above the parameters tracked in the preceding PMJDY survey. On the supply side, we have assessed BMs' infrastructure, service area coverage, sustainability, satisfaction level, activity level, product portfolio, training (including financial literacy) and monitoring. The demand side assessment includes collecting PMJDY customer level information such as demographic data, *Aadhaar* enrolment, availability and seeding, RuPay card and PIN availability, transactional behaviour and customer preference for a transaction point.

The survey was conducted in April-May 2015 and covered a total sample of 1,700 BMs and 4,514 PMJDY customers across 9 states and 41 districts. To provide a comparable analytical framework, the geographies covered under the second round of field research were the same as in the earlier round. A sample of 20 per cent of total BMs in a district or at least 30 BMs (higher of the two) per district was covered for the quantitative research. Three customers were interviewed at each location where a BM was present (there are locations where a BM is supposed to be present, but was not present for reasons explained in the report). In addition, *MicroSave* conducted qualitative research to understand the intricacies, reasons, and implications of issues and challenges at the front end.



Objectives of the assessment were to:

- Verify the availability of BMs at their locations/ outlets.
- Assess the quality of services being provided to account holders and product portfolio of BMs.
- Understand issues associated with sustainability of BMs and assess their satisfaction levels.
- Assess support mechanisms available to the BMs.
- Gather informational data of PMJDY account holders to understand
 - i. Customers' profiling including demographics,
 - ii. Customers' preference for transaction points,
 - iii. Customers' savings behavior and financial literacy; and
 - iv. Penetration of financial products (savings and insurance).

Bank Mitr Level Findings

- There is a marginal reduction in the availability of BMs, i.e. BMs who are present and could be met/interviewed. While 89% BMs were available during the first round of field research in October-November 2014, 84% BMs were available during the second round. 16% BMs could not be traced, i.e. they were not found at their stated location, could not be contacted on phone, and local residents could not identify/ provide information about them.
- Transaction readiness of BMs (capability of conducting deposit, withdrawal and account opening services) has improved significantly to 79% as compared to 54% in round-1.
- Dormancy (the case of a BM abandoning his/her role as BM and/or to stop offering financial services) has decreased marginally from 8.4% to 7.9%.
- 78% BMs are providing services to customers in more than 1 village, of which 34% BMs are providing services in more than 5 villages.
- There is an improvement in the presence of signage (currently 80%, up from 48% earlier), visibility of bank logo (61%, up from 46%) and that of PMJDY logo (57%, up from 27%) across states and across banks.
- 69% devices at BM outlets are Aadhaar enabled and 39% devices are RuPay enabled.
- 60% BMs are appointed through corporate agencies while the remaining 40% are directly appointed by banks.
- The majority (71%) of BMs receive an absolutely variable commission on the basis of business done in a month. 29% receive a minimum fixed amount plus variable commission. The fixed amount varies by bank/BCNM.
- BM incurs an average setup cost (one-time fixed expense) of Rs.42,249 while average monthly variable cost per BM is Rs.2,051.
- Only 41% BMs report access to any kind of helpline.



- The average number of transactions per BM per month including deposit and withdrawal transactions is 215 (up from 195 in round 1) with an average transaction size of Rs.801 (in April-May 2015).
- BMs across all banks are earning 45% higher average monthly income (Rs.3,951) as compared to the last round (Rs.2,724). However, there are wide variations in individual BMs' incomes which has resulted in high levels of dissatisfaction among a large number of BMs.
- Products offered by banks through BMs include basic savings bank deposit account, fixed deposit/recurring deposits (offered by 37% BMs), loan/micro-credit (offered by 18% BMs) and insurance (offered by 64% BMs).
- Capacity building of BMs is a weak area and does not seem to be a priority for banks/BCNMs. 41% BMs have been trained just once, either at the time of joining or later; 14% of BMs have not received training even once.
- Monitoring of BMs by banks and BCNMs continues to be a weak spot - 44% BMs mentioned that either no bank official had ever visited them or they had visited just once in a year.
- The proportion of dissatisfied BMs is almost double (46.1%) of those that are satisfied (23.4%).
- BM churn is very high. 72.2% of the total BMs interviewed are less than 18 months old in the system.



PMJDY Customer Level Findings

- 86% customers report that PMJDY account is their first account. This percentage has remained unchanged since the first round.
- RuPay card availability has increased significantly to 43% from 18% in round 1.
- Aadhaar availability has also shown significant increase from 45% in round 1 to 78% in round 2. Seeding of Aadhaar in PMJDY accounts has risen from 37% in round 1 to 52% in round 2.
- BMs are the main source of scheme related information for customers. 80% of the customers came to know about PMJDY through BMs.
- Only 24% of PMJDY account holders have received financial literacy training; of these 84% were trained by BMs.
- BMs are the first choice over ATM and bank branches for 70% of the customers when choosing their point of transaction.
- The top reasons for such high preference for BMs are proximity and location of BM outlet, ease of transaction and timings/availability of BM.
- Problems faced by customers while transacting at a BM outlet are server downtime, technical issues, and insufficient liquidity with BM.



Recommendations

- *Develop and deploy a common standard training module for BMs, who should not remain just transaction points, rather act as a “financial intermediary”. It should cover capacity building on financial products, basic accounting and data management.*
- *Ensure proper monitoring of, and support to, BMs: Visiting officials can sign-in using Aadhaar authentication at BM point to ensure that they actually visit BMs regularly. Additionally, mystery shopping can help ensure regular visits.*
- *Revise commissions especially on G2P payments so as to ensure a minimum of Rs.5,000 per month or equivalent for the geography with appropriate monitoring and checks to ensure BM actually provide services as required of them.*
- *Roll out additional appropriate products (minimum of demand and term deposits, insurance, and remittance).*
 - *Enhance customer awareness through a mix of mass media campaigns and targeted financial literacy modules, to increase footfall.*
 - *Track Aadhaar linkage for all devices on real-time basis for better monitoring and management of BMs.*
 - *Mandate helpline facilities for both customers and BMs – these should be actively promoted in all advertising / communication material.*

ABBREVIATIONS

AOF	Account Opening Form	SBI	State Bank of India
APGB	Andhra Pragati Gramin Bank	SC	Scheduled Castes
ATM	Automated Teller Machine	SLBC	State Level Bankers Committee
BCNM	Business Correspondent Network Manager/ Corporate BC	SSA	Sub Service Area
BM	Bank Mitr	ST	Scheduled Tribes
BOB	Bank of Baroda	TAT	Turn-Around-Time
BOI	Bank of India		
BSBDA	Basic Savings Bank Deposit Account		
CAPI	Computer Assisted Personal Interview		
CBI	Central Bank of India		
DBTL	Direct Benefit Transfer for LPG scheme		
DFS	Department of Financial Services		
e-KYC	Electronic Know Your Customer		
FD	Fixed Deposit		
FL	Financial Literacy		
FLCC	Financial Literacy & Credit Counselling Centre		
GI	General Insurance		
GPRS	General Packet Radio Service		
IAY	Indira Awaas Yojana		
JSY	Janani Suraksha Yojana		
LI	Life Insurance		
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme		
NSAP	National Social Assistance Program		
OBC	Other Backward Castes		
OD	Overdraft		
PMJDY	Pradhan Mantri Jan Dhan Yojana		
PNB	Punjab National Bank		
RD	Recurring Deposit		
SBBJ	State Bank of Bikaner & Jaipur		

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1 Background

The Hon'ble Prime Minister of India launched the Pradhan Mantri Jan Dhan Yojana (PMJDY) on August 28, 2014 with an objective to provide at least one bank account to each household. The underlying philosophy of the government behind PMJDY is to include low-income and vulnerable groups (generally financially excluded) into the mainstream financial system.

The implementation of PMJDY rests on the following six pillars:

1. Universal access to banking facilities.
2. Providing basic bank account with overdraft facility and RuPay Debit card to all households.
3. Financial literacy programme to increase uptake of financial products.
4. Credit guarantee fund to mitigate risks on account of overdraft facility extended to these accounts.
5. Micro-insurance for all account holders under PMJDY.
6. Pension schemes like Swavalamban for the unorganised sector.

It envisages that the emphasis initially will be on the first three pillars. To provide universal access to banking facilities, it is planned that all of over 600,000 villages across the country will be mapped according to the 'Sub-Service Area' of each bank. At least one fixed point-banking outlet will cater to every 1,000 to 1,500 households, which will be known as a Sub Service Area (SSA). The SSAs are to be covered through a combination of traditional bank branches and fixed point Bank Mitrs (BM) or Business Correspondents / agents - who act as representatives of banks, and are equipped t

1.1 Context

To understand whether Bank Mitrs (BMs) sufficiently cover SSAs as well as to assess the effectiveness and impact of PMJDY on beneficiaries/customers, *MicroSave* conducted a dipstick study¹ between October and December 2014 with support from the Bill & Melinda Gates Foundation. The study was conducted at the behest of, and with support from, the Department of Financial Services (DFS), Ministry of Finance, Government of India.

The current study – the second round in the series, is a more in-depth research in the same geography to provide a comparative, time-scale analysis. The goal is to present data insights, analysis and recommendations to policy makers and banks to further strengthen the programme. The study reveals clear insights on the presence, activity, and quality of services offered by BMs to support the rollout of PMJDY.

The objectives of the study are to:

1. Verify the availability of the BMs at their indicated / stated locations.
2. Assess the quality of services being provided to account holders and product portfolio of BMs.
3. Understand the issues associated with sustainability of BMs and assess their satisfaction levels.
4. Assess the support mechanisms available to BMs.
5. Gather information from PMJDY account holders to understand
 - a. Customers' profiling including demographics;
 - b. Customers' preference for transaction points;
 - c. Customers' savings behavior;
 - d. Customers' exposure to financial literacy campaigns; and
 - e. Penetration of other financial products (insurance).

1.2 Coverage

The survey was conducted between April and May 2015 in 41 districts of nine states.¹ A total of 1,700 BM locations were physically visited to verify their presence and BMs were interviewed at locations where they were available. In addition, 4,514 PMJDY customers spread across these locations were also interviewed to obtain their feedback on different aspects of the scheme, especially with regard to service delivery, preferences, and availability of *Aadhaar* and RuPay cards.

1.3 Methodology

Data related to Bank Mitrs for the selected 9 states and 41 districts was extracted from websites of state level bankers committees (SLBCs) and the websites of banks. We adopted a mixed-method approach which entailed both quantitative and qualitative interviews. We conducted structured interviews with BMs and PMJDY account holders. CAPI (computer assisted personal interviews) was used to capture data. The survey team also conducted qualitative interviews with a smaller sample of BMs to probe deeply into some of the more important aspects.

The sampling methodology is briefly explained below; however details on the methodology and sampling technique adopted for the research are provided in Annexure-II.

- A proportionate bank-wise allocation of the sample was done for the quantitative research of the 41 districts under study. The sample was selected as: 20 per cent of the total BMs or at least 30 BMs (whichever is higher) per district. Additionally, three PMJDY account holders were interviewed at each BM location, where the latter was present and interviewed. Two reputed survey agencies - Nielsen (India) Private Ltd, and Kadence (International) Private Ltd. - were hired for quantitative data collection.
- *MicroSave's* in-house team of qualified researchers conducted qualitative research, primarily using personal interview technique, and interacted with 74 BMs in 11 districts across nine states to understand the real story behind the numbers.

MicroSave developed research tools in consultation with all stakeholders.¹ These included the following:

- Quantitative research questionnaire for Bank Mitrs (BMs);
- Quantitative research questionnaire for PMJDY account holders; and
- Qualitative interview guide for bank mitrs (BMs)

1.4 Report Structure

This report is divided into three broad sections. The first section, “Key Findings: Bank Mitrs” provides a comparative analysis between the first round conducted in October-November 2014 and the second round conducted in April-May 2015, on key assessment parameters for Bank Mitrs (BMs) and additional parameters which have been added in round two. The next section, “Key Findings: Customers” provides similar comparison on customer related parameters. Based on the findings presented in these two sections, we have given “Recommendations” in the last section. Under Annexes we have provided details about the districts and states where the research was conducted, the sampling methodology, and questionnaires.



Key Findings: Bank Mitrs



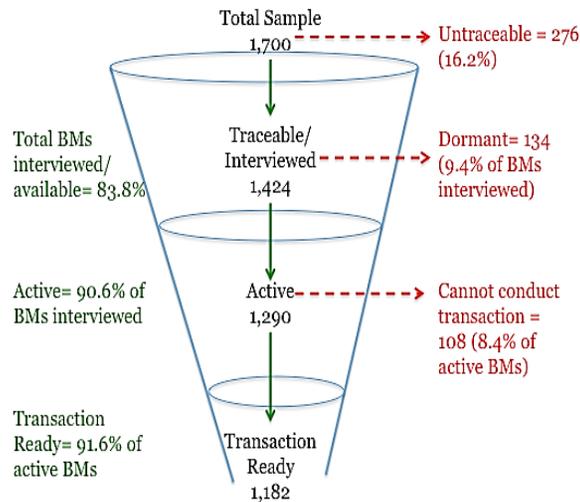
2 Comparative Findings: Bank Mitrs

Comparative findings of PMJDY in round one vis-à-vis round two are on the following parameters:

- Availability of BMs
- Dormancy of BMs
- Transaction readiness of BMs
- Branding of BM outlet
- Transactions conducted at BM outlet
- Average income of BM
- PMJDY account as customers' first account
- Status of RuPay Card received by the customer
- Status of Aadhaar linkage in PMJDY accounts

Of the 1,700 Bank Mitr locations visited by research teams, 276 Bank Mitrs (16.2%) could not be traced. A BM is considered untraceable when he/she is not present at the designated location and nobody in the village is able to identify them by name / address, and the BM cannot be contacted on his/her listed mobile phone. Of the remaining 1,424 who were interviewed, 134 (9.4%) are dormant, i.e. they are physically present but have temporarily stopped working for reasons such as unresolved dispute with the bank or the BC network manager (BCNM) etc. Further, out of the remaining 1,290 active BMs, 108 were not able to conduct transactions either because they have not received a transaction device or the device has broken down, or the BM has not received training. However, these BMs are considered to be 'active' because they

Figure 1: Summary of Round-2 Survey

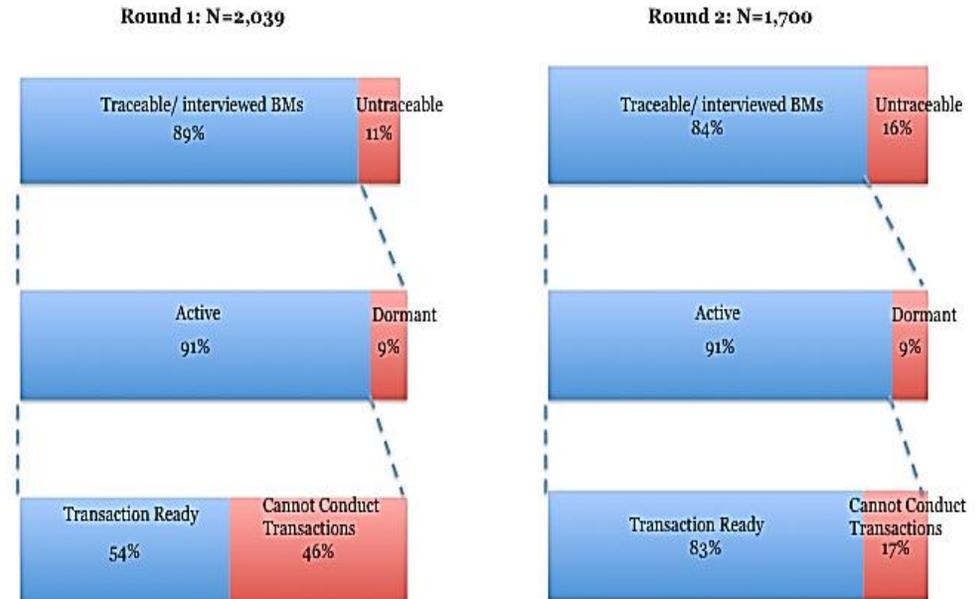


are opening bank accounts and entertaining customer queries. Hence, 1,182 BMs are "transaction ready" i.e. a customer can walk-in and conduct a transaction. This is 91.6% of active BMs (or 69.5% of the total BMs).

The following section provides comparative figures for the two rounds conducted in October-November 2014 and April-May 2015, showing the changes over a period of six months over PMJDY roll out.

At an aggregate level, BM availability, (i.e. BMs who could be met and interviewed), has marginally declined from 89% to 84%. However, the proportion of active BMs among those who were available has remained stable at 91%. The largest change is in the proportion of transaction ready BMs, which has increased from 54% in the earlier round to 83% during the second round. It implies that customers have a much **higher number of available transaction points** as compared to situation in the last round.

Figure 2: Comparative Results of Round-1 and Round-2



2.1 Availability¹ of Bank Mitrs (BMs)

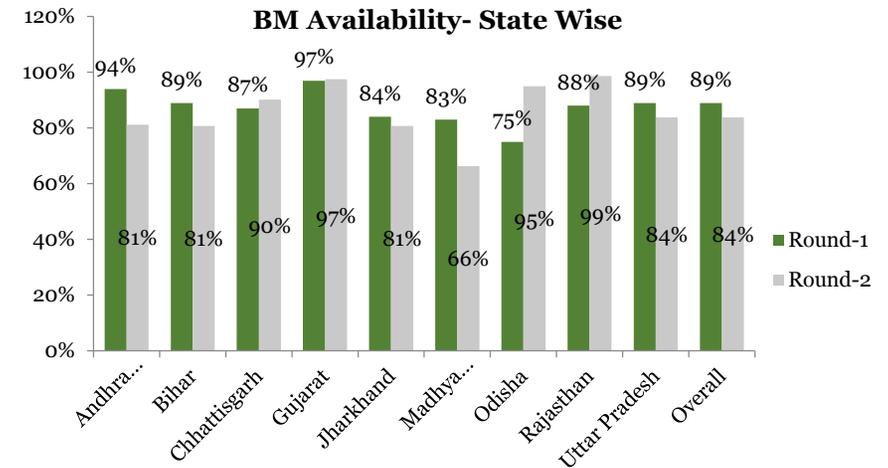
Availability of BMs has marginally declined. BMs' availability during the first round was 89%,² which reduced to 84% during the second round. The number of available BMs includes those lying dormant.

BM availability in Rajasthan, Odisha and Chhattisgarh has improved as compared to the numbers from the earlier round. Gujarat has sustained BM availability over this period, while BM availability has declined in Andhra Pradesh (AP), Bihar, Madhya Pradesh (MP), and Uttar Pradesh (UP).

These changes indicate that the BM channel has stabilised through the initial stages of PMJDY rollout when the banks' focus was on identification and recruitment of BMs because of which fewer BMs were contributing to business. Currently, more BMs have received transaction devices and training, and are therefore in a position to provide banking services to customers. However, a few states may be facing challenges that will need more efforts from banks and BCNMs in appointing BMs in locations where none exist, and by providing transaction devices, training, and branding material.

The changes in state-wise proportions of BMs present are directly linked to the efforts of banks operating in each state. For instance, BM availability in Rajasthan has improved (Graph 1) since last survey because both Baroda Rajasthan Gramin Bank and SBBJ have ensured better BM availability (Graph 2). However, in larger states, because of the presence of large number of different banks and poor show by RRBs (Graph 2), BM availability has shown a mixed trend, which is mostly deteriorating as compared to the earlier round of survey. This corroborates the fact that the level of efforts put by banks follows a downward trend as we move from PSBs to private banks and further to RRBs.

Graph 1: Change in State Wise Availability of BMs



With regard to bank-wise availability³ of BMs, Bank of Baroda (BOB), Uttar Bihar Gramin Bank, Bank of India (BOI), State Bank of Bikaner & Jaipur (SBBJ), Central Bank of India (CBI) and Andhra Pragati Grameen Bank (APGB) have an above-average BM availability.

Among the banks having below average BM availability within the areas under study, the largest contributors are State Bank of India, Punjab National Bank, Madhya Bihar Gramin Bank, Allahabad UP Gramin Bank, Grameen Bank of Aryavrat, Allahabad Bank, Union Bank of India, Andhra Bank and Bihar Gramin Bank.

Banks with national presence such as SBI, PNB, and UBI need to manage their BM networks better through a combination of enhanced monitoring/support and diversification of their product portfolio, which would increase their agents' commissions. Because of these banks' size and reach, even slight changes in the presence/absence of their BMs impacts a large population. However, the availability of BMs

¹ Availability for the purpose of the study is defined as - Physical presence of BM and availability of his/her kiosk at the address as mentioned in the data during the survey. The availability is inclusive of dormant BMs.

² The BM availability of round 1 has been made comparable to that of round 2, wherein a superior calculation methodology was adopted.

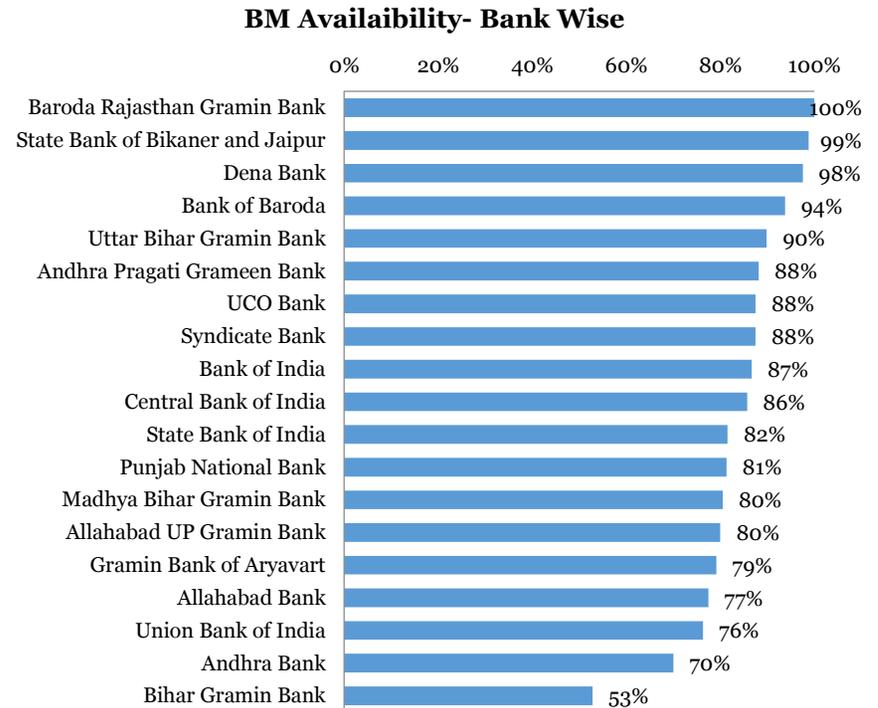
³ Bank-wise analysis is shown for banks with a sample of 20 or more BMs only w.r.t each parameter

of regional banks is also important because customers face challenges if their BMs are not available, although the impact is more local.

2.2 Dormant BMs

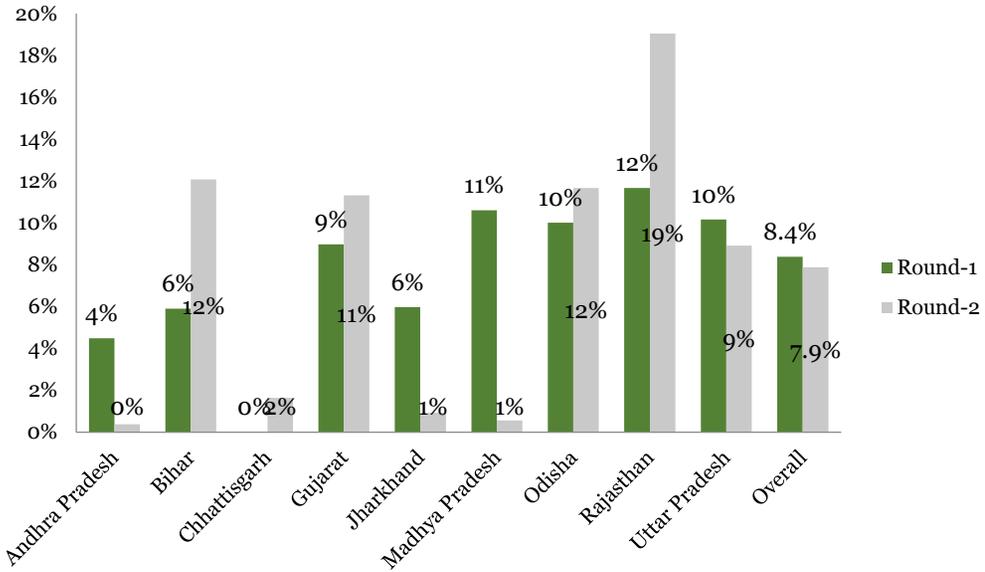
7.9% BMs are dormant (i.e. BMs who stopped working but have formally neither quit nor have been removed by the bank/BCNM). At an aggregate level, the dormancy proportion for BMs has declined marginally from 8.4% in round 1 to 7.9% in round 2. Among the states in the survey sample, there were no dormant BMs in AP. BM dormancy has substantially reduced in Jharkhand and MP (from 6% and 11% respectively to 1% for both) while dormancy among BMs has increased in Gujarat (9% to 11%), Rajasthan (12% to 19%), Odisha (10% to 12%) and Bihar (6% to 12%). More than 60% of dormant BMs reported the following reasons for their dormancy: unattended issues related to technology support (leading to support issues); network failure; lack of transparency about pay-out (support and commission); and poor commissions.

Graph 2: Bank Wise Availability of BMs



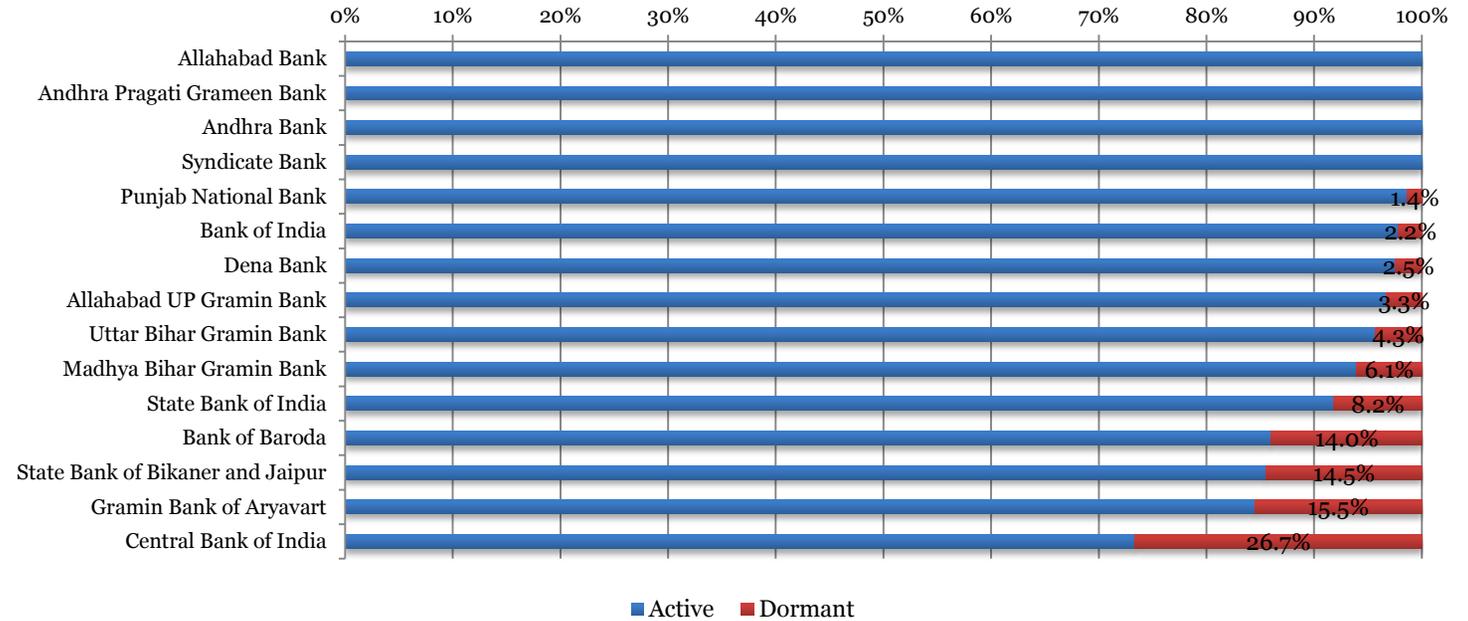
Graph 3: Change in State Wise BM Dormancy

BM Dormancy - State Wise



Graph 4: Active and Dormant BNs- Bank Wise

Active and Dormant BMs- Bank Wise



2.3 Transaction Readiness⁴ of Bank Mitrs (BMs)

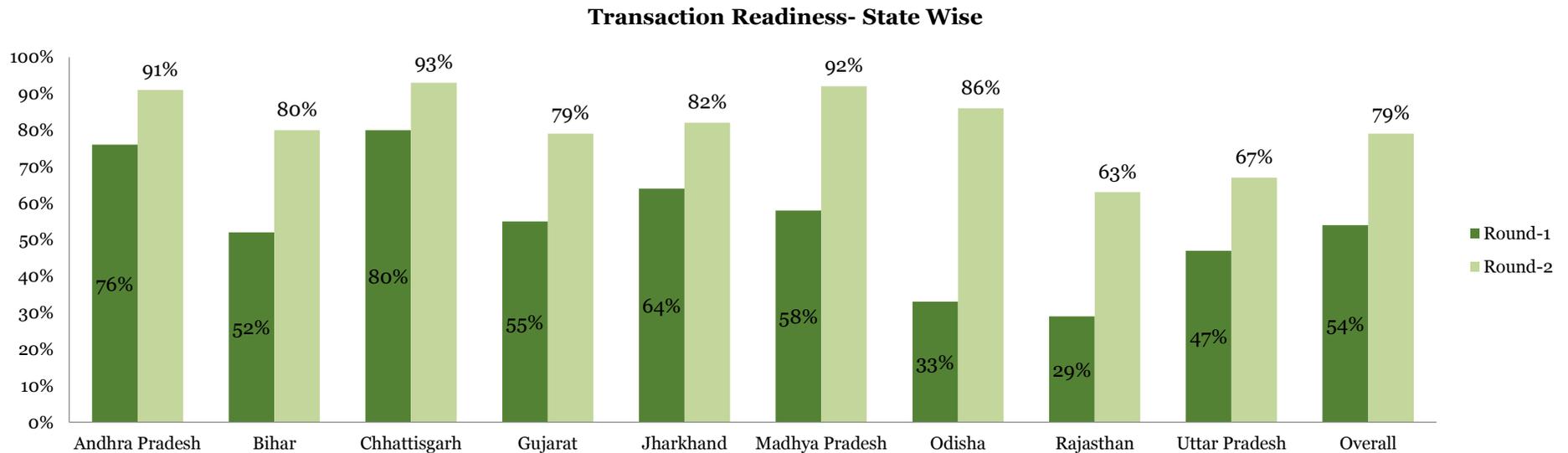
A Bank Mitr (BM) is defined as “transaction ready” when a customer walking into a BM outlet can conduct transactions. Transaction readiness of BMs has improved from 54% of BMs that were transaction ready in the first round, to 79% in this round. If we add BMs who are opening accounts, this figure increases to 83%. However, since these BMs have not yet received devices and are not in a position to conduct transactions, we have excluded them from the definition of “transaction readiness”. A major factor that can be attributed to this increase in the proportion of “transaction ready” BMs is the increased availability of transaction devices with BMs. About 99% of the active BMs currently have a device compared to 85% during the previous round.

The majority of BMs of most major banks are transaction ready. However a few banks such as Bank of Baroda, Central Bank of India,

Union Bank of India, SBBJ and a few RRBs need to improve on this parameter by ensuring availability of transaction devices at, and proper and timely training to, their BMs. Moreover any outstanding issues must be resolved as and when these come to the notice of concerned bank/BCNM.

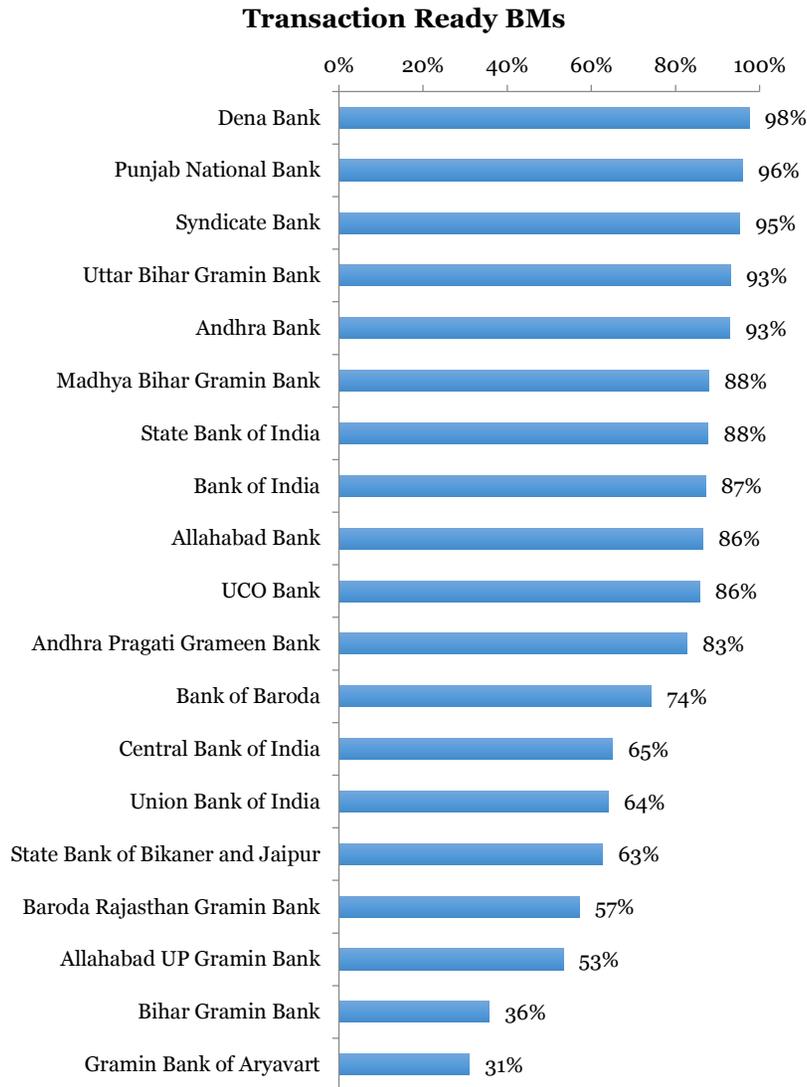
Unlike other parameters where performance of states is a mixed bag, all states have by and large shown an increase in the percent of ‘transaction ready’ BMs, although to varying degrees. Whereas Odisha, Rajasthan, Bihar and MP have shown substantial increase, AP, Jharkhand, and Chhattisgarh have shown a small increase in the proportion of transaction ready BMs – primarily because of their already high base in round 1.

Graph 5: Change in Transaction Readiness - State Wise



⁴ Transaction readiness is defined as a BM with a working and functional POS device capable of conducting transactions viz. cash deposit and/or cash withdrawal

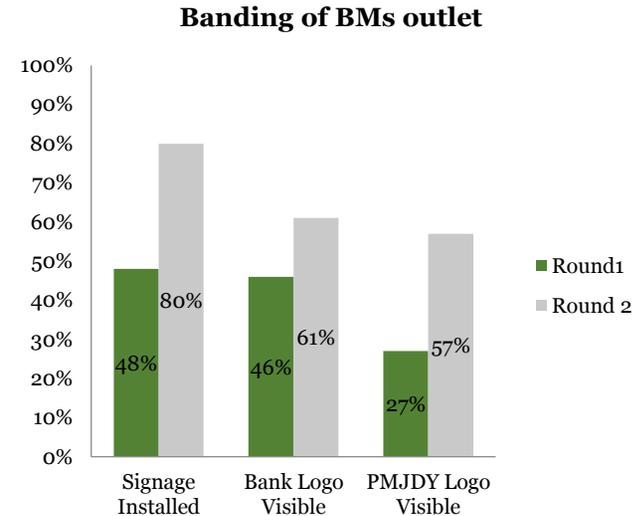
Graph 6: Bank-wise Transaction Readiness of BMs



2.4 Branding of BMs outlet

80% of BMs interviewed were found to have installed signages which is an improvement over round 1 in terms of branding of BM outlets.

Graph 7: Branding at BM Outlets



61% of the BM outlets display the sponsor bank’s logo, while 57% of BM locations display the PMJDY logo.

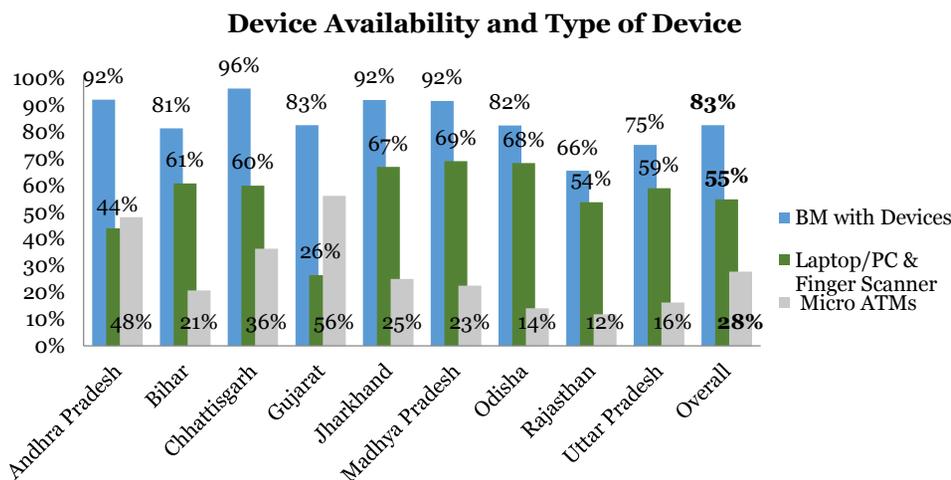
Branding at BM outlets in Rajasthan and Odisha has improved considerably on all three parameters on which branding was assessed. It is consistent with better performance these two states show on rest of the parameters.

Customers and BMs both agree that proper branding of outlets helps in enhanced visibility, and builds higher trust in the BM channel, although no direct link could be established between branding and business volumes. New customers are more likely to visit a properly branded outlet for enquiries, which ultimately converts into more accounts and transactions. The bank logo and PMJDY logo build confidence in customers about the genuineness of the outlet.

3 Bank Mitr's Level Analysis Round 2

In the first round of research, we covered areas related to the basics of delivery channel such as availability of BMs, branding of outlets, and availability of transaction device. However, by the time round two was conducted, more than 120 million accounts were opened and customers had started using these accounts to receive DBT under various government schemes and for other making banking transactions.

Graph 8: State Wise Device Availability and Type of Device

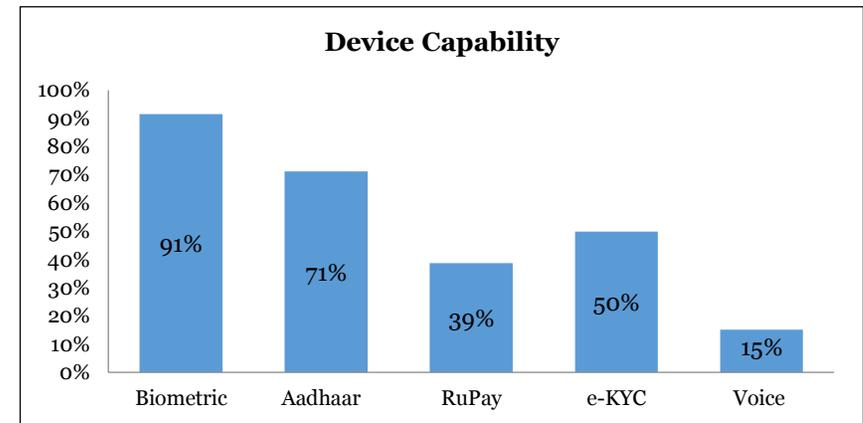


Therefore, during round two we widened the scope of the research to include device availability, capability and types; service area coverage; engagement with Banks/BCNMs; BM operational details; agent income, sustainability, satisfaction, and activity level; product portfolio; training; monitoring and BM support mechanisms.

Infrastructure at BM Point

The infrastructure available at BM outlets was assessed on parameters which are vital for a BM to carry out agency business. These were: type of device, device enablement, network connectivity, and printer availability.

Graph 9: Device Capability



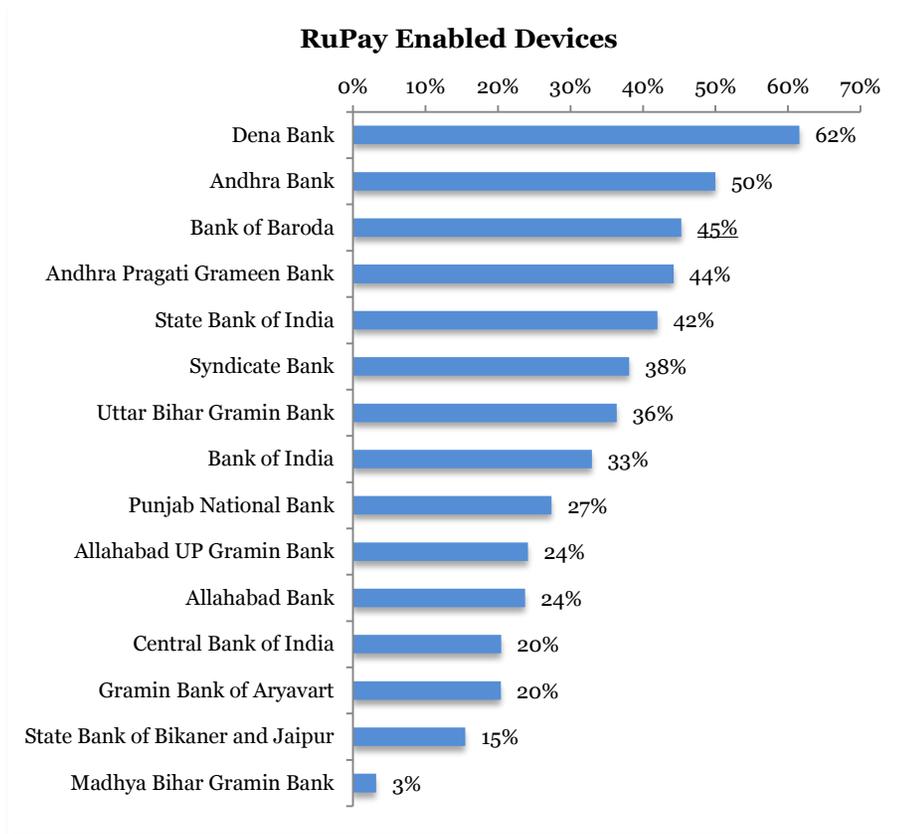
28% of BMs have a micro-ATM and 55% use a computer device (either a laptop or a desktop), others being either dormant or without devices. At a few locations, specifically in AP and Odisha, BMs are using Android phones/ tablets connected with portable finger scanner as a substitute for micro-ATM. There is no uniformity in the devices provided to BMs associated with different banks and even within the same bank. However a Business Correspondent Network Manager (BCNM) or corporate BC usually provides the same type of devices to BMs.

Devices with BMs are not capable of universally conducting all kinds of authentication/ transactions. 91% of the BMs (with any kind of device) have their devices enabled for biometric authentication - not necessarily Aadhaar based authentication. 71% devices are enabled to conduct Aadhaar based transactions. 50% devices are enabled for e-KYC based account opening. Only 39% devices are RuPay enabled, which **restricts the usage of RuPay card**. This problem is further compounded by the low availability of RuPay card and/or PIN with PMJDY customers, detailed in the next section below.

Dena Bank has achieved the highest RuPay enablement of devices. Only three other banks that have achieved more than 50% RuPay enablement are Andhra Bank, Andhra Pragathi Grameen Bank (APGB), and Bank of Baroda (BOB). Among states, Gujarat has the highest

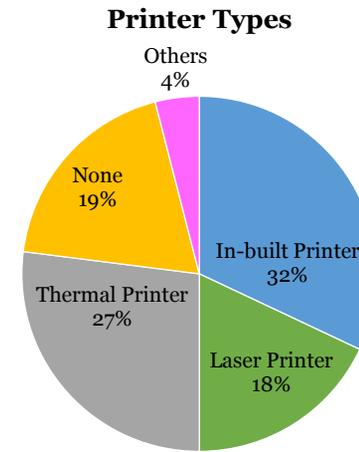
proportion of BMs with *RuPay* enabled devices owing to the fact that Dena Bank and BOB have good presence in the state. Similarly, in AP due to the presence of Andhra Bank and APGB, *RuPay* enablement of devices is high. The banks with low *RuPay* enrolment are: Aryavrat Grameen Bank; Bank of India; Allahabad UP Grameen Bank; PNB; CBI; SBBJ and Madhya Bihar Grameen Bank.

Graph 10: Bank Wise Status of RuPay Enabled Devices



The gap exists because many of the devices provided to BMs prior to the rollout of PMJDY were not *Aadhaar* and/or *RuPay* enabled. Although the new devices provided to newly appointed BMs are mostly *Aadhaar* and *RuPay* enabled,⁵ the replacement of old devices will take

Graph 11: Printers Used by BMs



Aadhaar enabled authentication and transactions, as well as use of *RuPay* cards at BM outlets will remain limited, and the increase will correspond to the speed with which these devices are replaced by the banks.

81% of BMs reported having a printer available at their outlet to provide transaction acknowledgement receipts to customers. The most prevalent type of printer is inbuilt (32%) within the device (usually micro-ATM). BMs using laptop / desktop use external printers - laser (18%) and thermal (27%). Some (4%) BMs do not have a printer and have to use bank branch infrastructure whenever they need a print-out.

⁵ All banks and BCNMs are not providing *Aadhaar* and *RuPay* enabled devices even to newly appointed BMs because either they are carrying inventory of incompatible

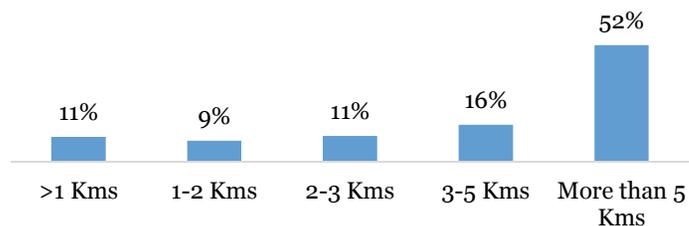
devices, and/or they do not want to use these platforms. We do not have the exact proportion of such cases, as it was not a part of this research.

3.1 BM Engagement with Bank or Corporate BC (Business Correspondent Network Manager-BCNM)

There are two major models of engagement between banks and BMs in India. The first is direct engagement by respective banks; while under the other model depends on corporate BC (Business Correspondent Network Managers or BCNM), which are responsible for selection, appointment, and management of BMs. During the survey we found that 60% of the sampled BMs have been appointed through BCNMs, and the remaining 40% have been appointed directly by banks. The highest proportion of BMs appointed by BCNMs is in Rajasthan where almost 97% of the BMs have been appointed through BCNMs. On the other hand, 78% of the BMs in AP have been appointed directly by banks.

The average monthly income of Rs.4,330 for BMs appointed directly by banks is 25% higher compared to that of BMs appointed and managed by BCNMs (Rs.3,460). This may be explained by the BCNMs' need to distribute income among more players in the chain, and therefore a lower amount reaches the BMs. Nevertheless, this point needs to be explored further to ascertain the factors contributing to this difference.

Graph 12: Distance of BMs from Link Branch
Distance of BMs location from link branch

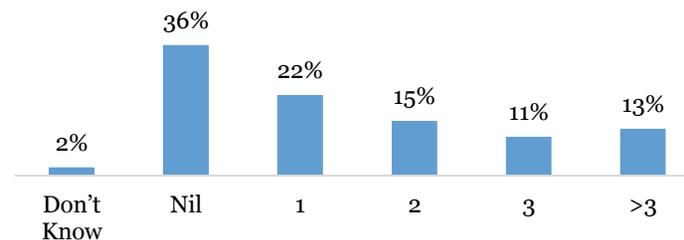


3.2 Service Area Coverage of BMs

In 52% cases, the distance between BM outlet and link branch is more than 5 km. 36% BMs reported that no BM operates within 5 km radius of their outlet; conversely in 62% cases there is at least one BM within 5 km radius (2% reported that they did not have any idea about the presence or absence of another BM in their vicinity).

Only 89% BMs are aware about the Sub Service Area (SSA) assigned to them. About 78% of them are operating out of multiple locations, out of which 34% BMs are providing services in more than 5 villages and 44% BMs are providing services in 2 to 5 villages. Only 22% BMs are serving only one village through a fixed service point, thus providing round the week transaction point to customers. 64% of BMs who operate in multiple locations have specific days assigned for each location they serve, and the rest do not follow a fixed/specified schedule to service different locations. Even where BMs operate in different locations, they provide the same set of products/services. However, product suites may vary depending upon the bank/BCNM with which the BM is associated.

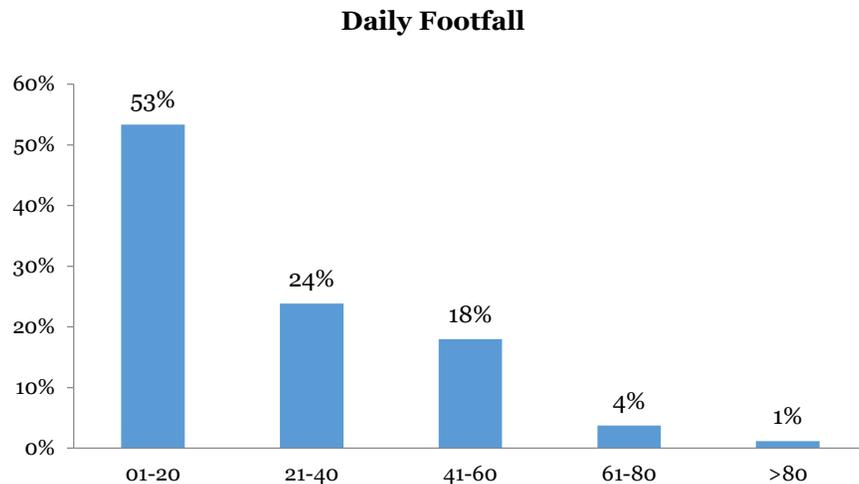
Graph 13: Number of BMs within 5 KMs of Other
No. of other BMs located within 5km radius



3.3 PMJDY - Operational Aspects of BMs

The operational aspects of BMs were assessed in terms of the average daily customer footfall, account sourcing, account activation, receipt of passbooks, receipt of cash transfers in PMJDY account, types of cash transfers and receipt of fixed monthly pay out proposed under the scheme.

Graph 14: Average Daily Customer Footfall



The average daily customer footfall at a BM outlet is 27. However more than half of the BMs receive less than or equal to 20 customers a day, which is insufficient to sustain business. In fact about 77% BMs have footfall of less than 40, while many studies suggest that the optimum number of transactions for sustainable business is between 50 and 150 customers per day for dedicated BMs; although this can be lesser for those carrying on another business alongside.^{6,7}

The availability and display of marketing material such as signage at BM outlets has improved as compared to what it was in round 1. 68% of BMs have received PMJDY uniforms, although only 22% wear it while working.

57% BMs mentioned that their customers have started receiving cash transfers for government schemes in their PMJDY accounts. Direct benefit transfer for LPG (DBTL) scheme seems to be the most prevalent scheme for cash transfers.

Other government schemes for which customers have received cash transfers are Mahatma Gandhi Rural Employment Guarantee Scheme (MGNREGS), National Social Assistance Programme (NSAP), various scholarships, and Janani Suraksha Yojana (JSY).

3.4 Income, Expenses and Sustainability of BMs

There are two models for remunerating BMs: 1. completely variable pay-out; and 2. a mix of fixed remuneration plus variable component. No BM is paid only on the basis of “fixed” remuneration. The majority of them (71%) are paid variable commission based on the business done in a month, while the remaining 29% receive a fixed amount as a minimum guaranteed remuneration, plus variable commission depending on business generated during the month.

However, variable commission rates for different types of transactions vary across banks and across BCNMs. Similarly, the ‘fixed’ remuneration component also varies from bank to bank.

The fixed monthly payment varies from Rs.500 to Rs.5,000. Variable commission is paid for one or all of the following: cash in, cash out, account opening, fund transfer, sourcing of fixed deposit, recurring deposit, insurance and loan initiation. Therefore BMs find it difficult to reconcile the amount they should receive for a month as calculated by them and the actual amount they receive.

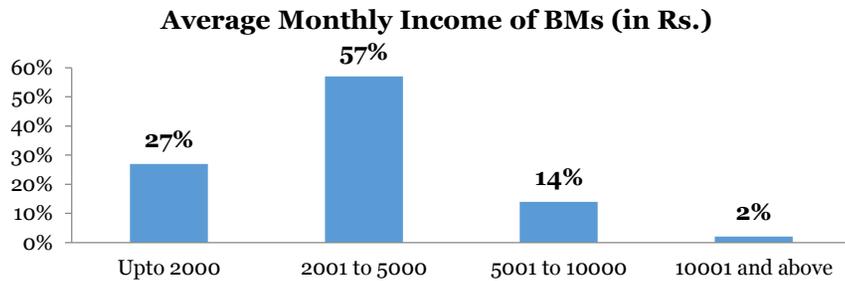
Moreover most of these payments are subject to tax deduction at source, which further reduces the actual amount received by BMs and makes the calculations more complex.

As explained above, banks and BCNMs have different criteria and product-wise variations in commission structure, and so there is **no uniformity in the commissions** and fixed pay out received by BMs

⁶ http://www.microsave.net/files/pdf/PB_6_Agent_Journals_The_Agent_Business_Case_In_India.pdf

⁷ <http://www.cgap.org/sites/default/files/CGAP-Technical-Guide-Agent-Management-Toolkit-Building-a-Viable-Network-of-Branchless-Banking-Agents-Feb-2011.pdf>

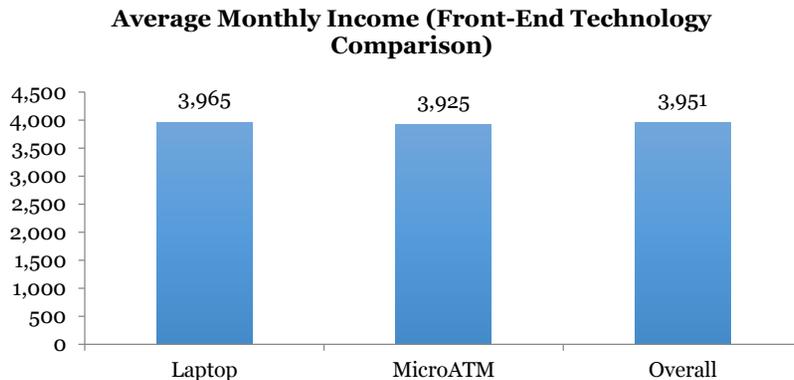
Graph 15: Average Monthly Income of BMs



across different states, banks and BCNMs.

84% BMs (please see graph 17) receive an average monthly income less than or equal to Rs.5,000 – the minimum amount mandated to be paid to BMs [in the mission document of the scheme](#). Moreover the majority of BMs noted that there is no fixed timeline or date for payment of commissions by banks/ BCNMs and they have to follow up regularly each and every month in order to be paid.

Graph 16: Average Monthly Income of BMs (Front-End Technology)



The average monthly income of a BM is Rs.3,951 according to figures reported during round 2 of the survey, which is a 43% increase over the average reported during round 1. Still, this is less than one third of the average monthly income that the BMs ‘expect’, which is Rs.12,545.⁸ One

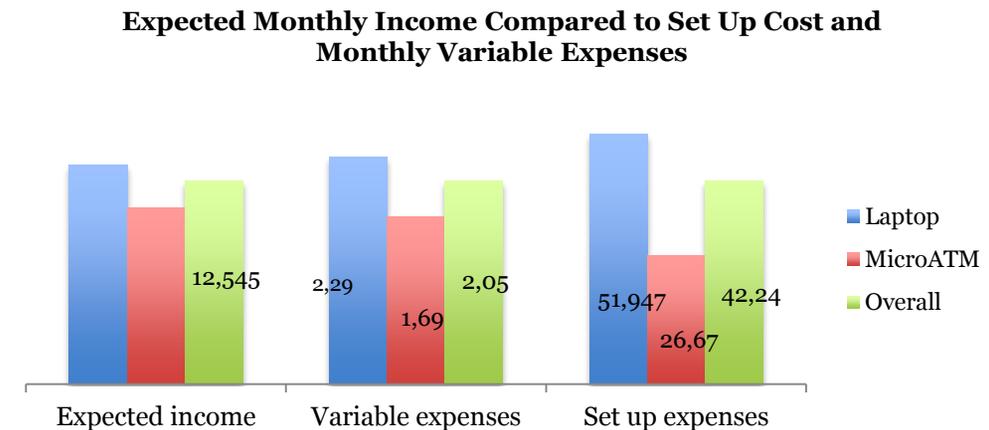
⁸ We asked the question “How much monthly income do you expect from BM activity?”

possible reason for the high amount expected by BMs is the (one time) capital cost they incur when setting up the business and the recurring, operational cost in running the business.

The average capital setup cost incurred by BMs works out to Rs.42,249; while average monthly variable cost is Rs.2,051. As explained in the section on infrastructure, BMs use two types of devices - computer (laptop or desktop) or micro-ATM. Both these devices have a different set-up cost and operating cost. The average set-up cost for computer based operations is Rs.51,947, which is almost double the average set-up cost of Rs.26,676 incurred for micro-ATM; monthly operating expenses are Rs.2,290 and Rs.1,692 respectively. It is interesting to note that the income expected by BMs is also different depending upon the devices they use.

BMs using computers expect higher income (averaging Rs.13,540) compared to those using micro-ATM (averaging Rs.10,903). Despite the difference in set-up cost and operating expenses, there is almost no difference in the income of BMs using different front-end devices. Banks do not seem to have factored costs, both capital and operational, into the remuneration structure of BMs.

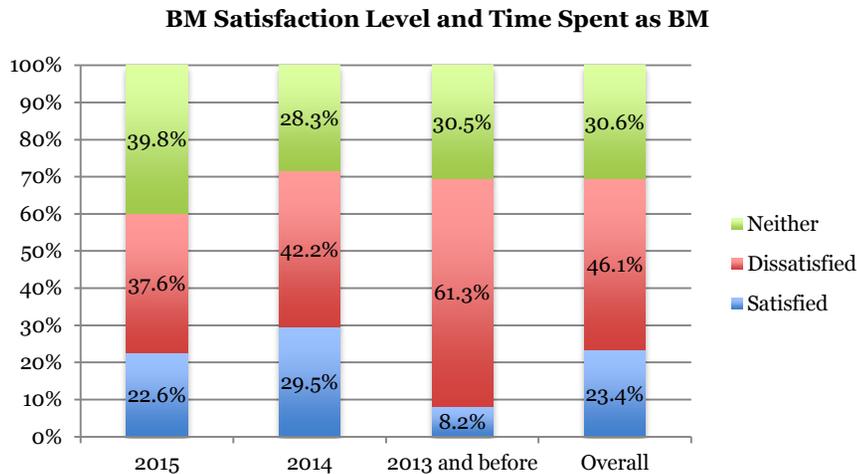
Graph 17: Monthly Income Expected by BMs



3.5 BM Satisfaction Level

46.1% BMs mentioned that they were not satisfied with the agency business. This figure is almost double that of satisfied BMs (23.4%). The remaining 30.6% are undecided and perhaps waiting for some

Graph 18: Satisfaction Levels of BMs



more time before arriving at an opinion. A closer look at the data shows that recently appointed BMs (year 2015) have a higher proportion of “undecided” category (who are neither satisfied nor dissatisfied), while others who have spent one year or more are mostly dissatisfied.

Dissatisfaction increases with time that the BMs spend as part of the delivery channel. Banks and BCNMs have the big task of addressing this dissatisfaction amongst BMs by helping the frontline players overcome the key challenges they face. Since the reasons for dissatisfaction vary, these challenges cannot be just wished away and therefore some more analysis is needed to get to the core issues. Despite low incomes and lack of support from banks/BCNMs, many BMs continue in business because being a BM is a matter of status within their area or community, which they do not wish to forego easily. BMs mentioned that the activity had earned them a reputation or image in the village

because they “work for a bank” and such employment activities are limited, especially in the rural areas. BMs also mentioned that they liked working as a BM and would like to continue in future if the support systems improved, specifically in terms of timely receipt of commissions from bank/BCNM.

3.6 Product Portfolio and BM Activity Level

In addition to the basic savings bank account which is a basic offering, the product portfolio offered by BMs to their customers can include the following banking products:

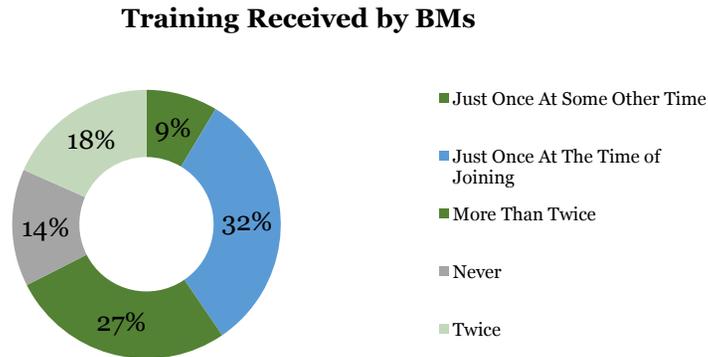
- **Fixed Deposit / Recurring Deposits (FD/RD):** Only 37% BMs are offering term deposits (FD/RD). These products, particularly RD, need to be promoted through BMs as they inculcate the habit of saving and provide an option for structured savings and assured and safe returns to the customer. However there is little push from banks / BCNM to promote this product.
- **Loan / Microcredit:** Only 18% BMs offer loan / microcredit facility to their customers, with their role being limited as facilitators of loan applications. Microcredit offered through the BM channel can meet a very pressing need and significantly add to the business at BM outlets. For this to happen, banks will have to develop necessary risk management systems as BMs provide the mechanism to fulfill into the day to day credit needs of the low-income segment. One risk management strategy could be to provide training to BMs to enable them to handle credit products. In AP, it was found that BMs are already providing services to Self Help Groups (SHGs) and supporting loan repayments; this can be considered as one of the initial products through the BC channel to include BMs into the credit cycle.

- **Insurance:** 64% BMs are offering insurance to their customers. The surge in insurance is due to the recent launch of the insurance scheme and targets assigned to banks under the Pradhan Mantri Surksha Bima Yojana and the Pradhan Mantri Jeevan Jyoti Bima Yojana.

3.7 Training and Other Support to BMs

Capacity building of BMs emerged as a weak spot because of inadequate focus on training of BMs. 14% of the BMs reported not receiving any training, while 41% BMs responded that they received training just once - mostly at the time of joining. The remaining 45% reported that they had received training at least twice after they started operating as a BM. By and large, these figures are the same for both type of BMs –

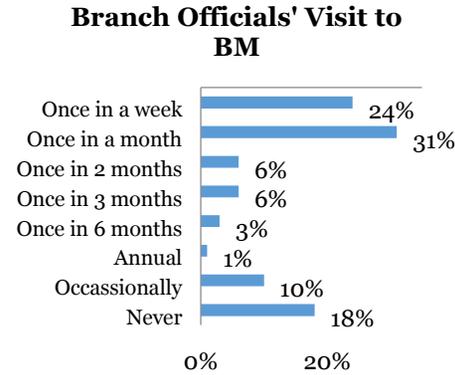
Graph 19: BMs' Training



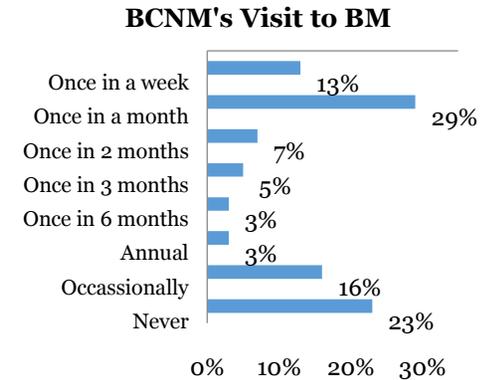
the ones that are directly managed by banks as well as those managed by third party BCNMs. BMs usually undergo an induction training at the time of joining, which is limited to transferring knowledge about operational aspects of the issued devices, such as usage of the machine and printing of receipts. Training to enhance product knowledge (e.g. FD/RD, remittance, credit, overdraft etc.), basic accounting, and customer service are rarely provided. At a few locations, BMs mentioned that information with regard to products such as insurance

had been provided, but only during meetings conducted at link branch by the bank or at the district/regional office by BCNM.

Graph 20: Frequency of Branch Officials' Visit



Graph 21: Frequency of BCNM's Visit



PMJDY Assessment of BMs-Round-II

Monitoring of BMs by branch officials has no specified periodicity and BMs are generally unaware of any audit/inspection process/periodicity. Usually the Field Officer of the associated bank's link branch visits the BM outlet and checks records/registers maintained by the BM. Monitoring needs attention as only 24% of the BMs reported that their outlet is visited by a bank official once in a week, followed by another 31% mentioning a visit once in a month. 10% reported a visit at the periodicity of one a quarter or even longer, while 18% BMs reported that no bank official had ever visited their outlet. Increased monitoring visits will help to improve the connect between the bank and BMs to address ground-level issues, and to instill greater trust, and sense of belonging and ownership among BMs.

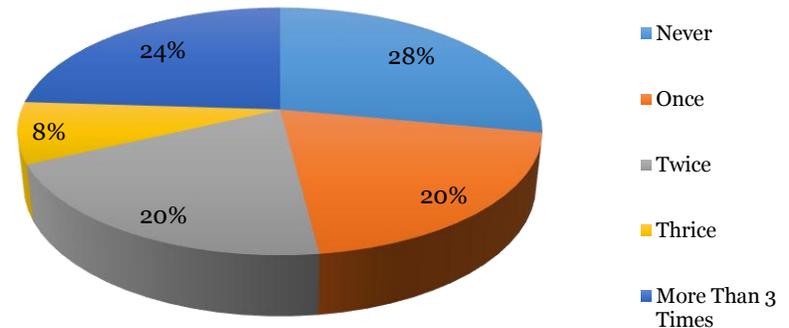
Monitoring of BMs appointed through BCNMs is not satisfactory either. 23% of BMs reported that the no BCNM representative had ever visited their outlet after their appointment. One possible reason, as mentioned by BMs, could be that the BMs stay in touch with the BCNM representative on phone and most of the time resolution is through this remote assistance approach.

Overall, 41% of the BMs responded were aware of a helpline facility (dedicated number) available to them from the bank/BCNM to avail technical support or any other support as and when required. A large proportion of the BMs (59%) are not aware of any such facility or toll-free number.

Out of BMs who are aware about the helpline facility, a little over one fourth (27%) reported that they have not used the helpline facility at all. 24% have used it more than three times followed by another 49% reporting the usage of helpline at least once. This indicates that the helpline facility is used regularly by those BMs who know about it. However, BMs feel there is a need for improvement in the helpline support system because they usually have to depend on the branch/field officer to resolve their issues despite contacting the

Graph 22: Use of Helpline by BMs

Use of Helpline/ Call Centre



helpline. BMs also mentioned that they face language issues while interacting on the helpline, as the person attending their call does not speak in vernacular.

Overall, a lot more emphasis is needed to address the shortcomings in monitoring and support because agent training, monitoring and support impacts not just the quality of services but also the performance and profitability of agent outlets.¹

¹ <http://blog.microsave.net/training-monitoring-support-necessary-or-an-opportunity-to-cut-costs/>



*Key Findings:
Customers*

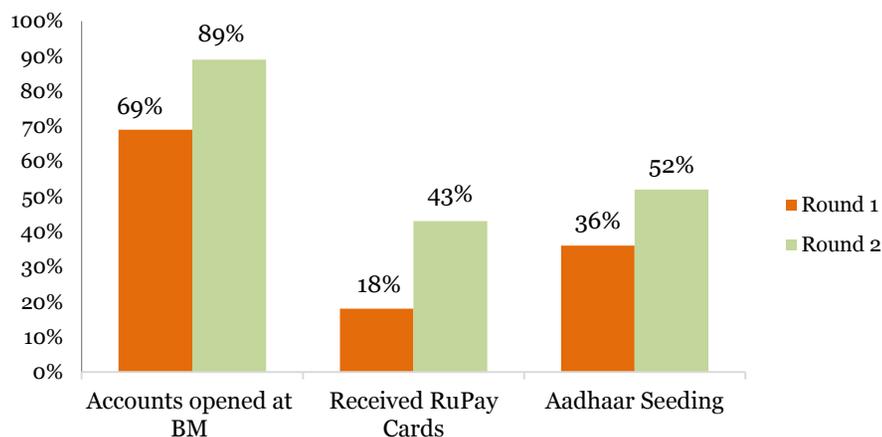
Similar to round-1 research, during round-2 also three or more PMJDY customers were interviewed at each BM location, wherever the BM was available. A total of 4,514 PMJDY customers were interviewed during round -2 (during round-1, 8,789 customers were interviewed). Parameters such as the proportion of PMJDY accounts opened at BM point, RuPay card availability, and Aadhaar seeding in bank account, that were covered during round-1 were repeated during round-2. In addition, more parameters were added during round-2 to assess the efficiency and performance of BMs. These are discussed in section 5.1.

4 Comparative Findings: Customers

Consistent with round 1, 86% of customers mentioned that PMJDY account is their first account, and that they did not have any other account when they opened the PMJDY account. The findings about the effect and uptake of PMJDY indicate that the scheme has more or less been successful in achieving financial inclusion during the two assessments.

Graph 23: Summary of Customer Level Indicators

Comparison: A/C holder level indicators



In round 2, 43% of PMJDY account holders had received their *RuPay* cards (up from 18% in round 1). *RuPay* card availability has invariably increased across states. However, the highest increase is in Rajasthan (7% in round 1 to 63% in round 2), Gujarat (20% to 74%), Chhattisgarh (11% to 51%), Odisha (8% to 43%), and MP (11% to 42%). Despite the improvement, banks still need to focus on better logistics and clear communication with their customers regarding PIN numbers as only 79% of customers who had received a *RuPay* card reported receipt of a PIN number as well. Moreover 12% of customers who have received both card and PIN have not activated their card, which reflects the lack of awareness about the process to activate and use *RuPay* card. The combined effect of poor communication, lack of awareness, and weak logistics is that **only around 17% of PMJDY** account holders have used *RuPay* card so far.

Aadhaar availability with the PMJDY account holders has risen from 45% to 78%. In AP, Gujarat, Jharkhand and MP, more than 90% of interviewed customers reported *Aadhaar* availability. Correspondingly, *Aadhaar* seeding with PMJDY accounts has also increased from 36% to 52%, with Chhattisgarh (64% during round 2, up from 3% during round 1), Rajasthan (89%, up from 36%), and Odisha (79%, up from 28%) showing the maximum rise in *Aadhaar* seeding.

5 Customer Level Analysis Round 2

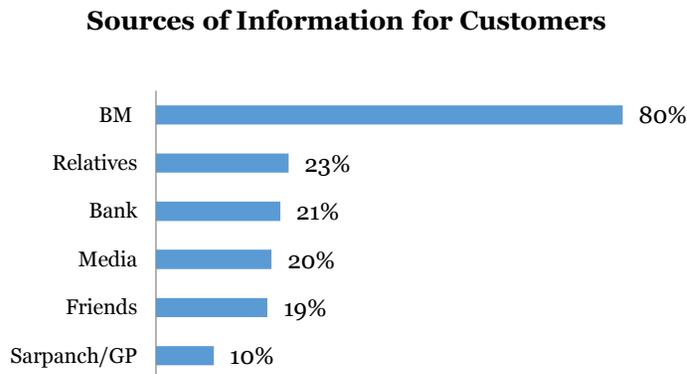
Some additional parameters were covered during round 2. These are: source of information about PMJDY; savings behaviour; penetration of insurance products among PMJDY customers; level of exposure to financial literacy and source of financial literacy training; preferences for transaction points; and problems faced when transacting at BM points. The results are explained below:

5.1 PMJDY Details

A whopping 80% of customers came to know about PMJDY through BMs and 89% of the customers opened their PMJDY accounts through BMs. (The remaining 11% opened their accounts by submitting application forms and documents at a bank branch). Clearly, BMs have been instrumental in providing information and attracting potential customers/beneficiaries to PMJDY. In fact, one of the reasons for high number of accounts opened under PMJDY is because BMs helped banks identify and target households for account opening. Other reported channels through which the respondents received information about PMJDY are relatives (23%), bank (21%), and media (20%) followed by friends (19%), and Gram Panchayat (10%).²

90% of PMJDY customers mentioned that either they or their spouse operates the PMJDY account. Only 7% mentioned that the BM operates their account and the remaining 3% seek help from other family members and relatives to operate the bank account.

Graph 24: Sources of Information for Customers



² Since multiple responses were allowed for this question, therefore the sum of responses is more than 100%.

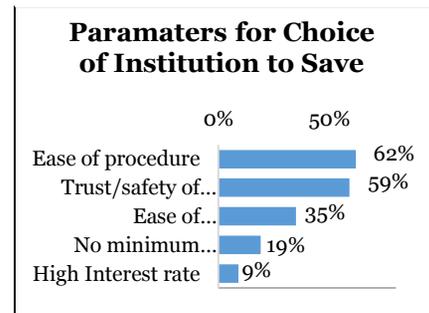
5.2 Savings Behaviour and Financial Literacy

77% of PMJDY customers will prefer to keep their savings in their bank accounts. On this basis it can be deduced that if round-the-clock transaction points and suitable products are available nearby, they will prefer to deposit their money. On the other hand, 12% customers responded that they do not save at all, while the use of informal channels (such as *mahajans*) to park their savings is a miniscule 1% of the

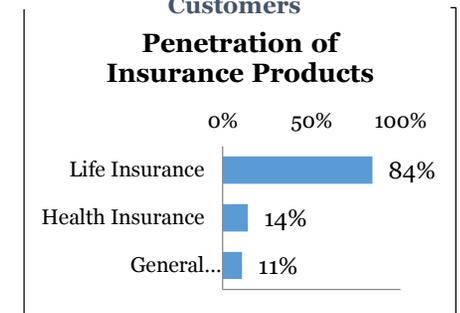
Major reasons for such high preference to save in a bank account are:

- Ease of procedure to operate savings account (62%); and
- Trust & safety of funds (59%).

Graph 25: Parameters for Choice of Institution to Save



Graph 26: Penetration of Insurance Products among PMJDY Customers



Other reasons are ease of withdrawal, no minimum balance requirement, and interest income.

The penetration of insurance as a product is rising as 43% customers responded that they have purchased an insurance policy. out of these, the majority (84%) of customers have purchased life insurance (LI)

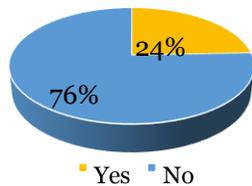
PMJDY Assessment of BMs-Round-II

policy, while the uptake of general insurance (GI) and health insurance is less prevalent.

Out of the customers who do not have an insurance policy, a majority (54%) responded that they do not understand its product features and working mechanism; while 37% think that it is expensive or of no benefit to them. This implies that there is a lack of knowledge about available financial products, and there is a high need of marketing and communication to make customers aware about the various products available through the BM channel. Only 24% PMJDY account holders have received training on financial literacy (FL).

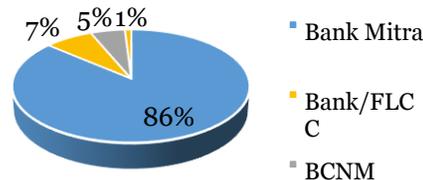
Graph 27: Source of Financial Literacy Exposure-1

Training Received by PMJDY customers on Financial Literacy



Graph 28: Source of Financial Literacy Exposure-2

Source of Financial Literacy Exposure



The performance of banks/Financial Literacy & Credit Counselling Centres (FLCCs) and BCNMs (not of BMs) in imparting FL training is poor as only 12% of customers have received FL training from banks/FLCCs and/or BCNMs.

5.3 Customer Preference for Transaction Point

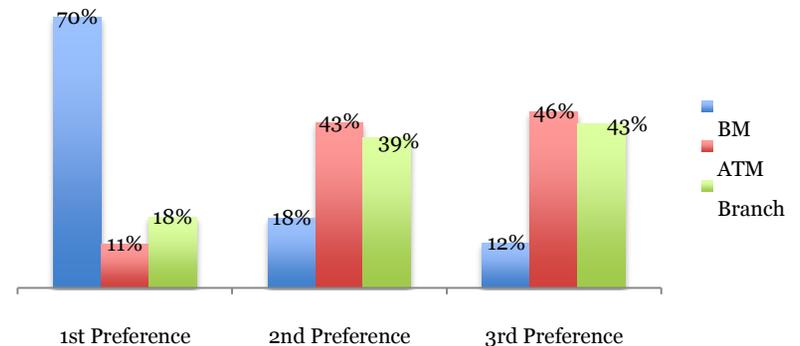
The three main points of transaction available to the PMJDY customers are BM, bank branch and/or ATM. Till date, 76% of the customers mentioned that they had transacted at BM outlet, while only 25% and

11% confirmed having transacted at a branch and ATM respectively. A few customers (2%) have not transacted at all.

BM is the preferred point of transaction for 70% of customers as compared to a bank (18%) or ATM (11%). This preference is primarily due to BMs' availability, (i.e. proximity, location and business hours); and ease of transaction because BMs usually help customers navigate through the transaction process, and in case of any problem, help them resolve it or lodge a complaint.

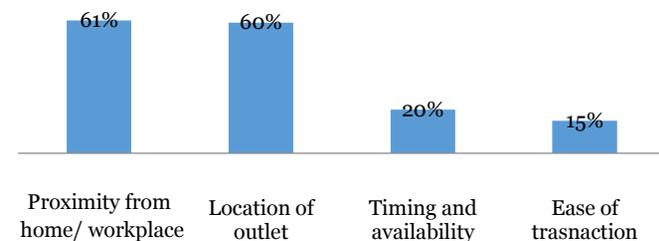
Graph 29: Ranking of Transaction Points by PMJDY Customers

Ranking of Transaction Points



Graph 30: Parameters to Choose Transaction Point

Reasons for Choosing BM Over Others for Transactions



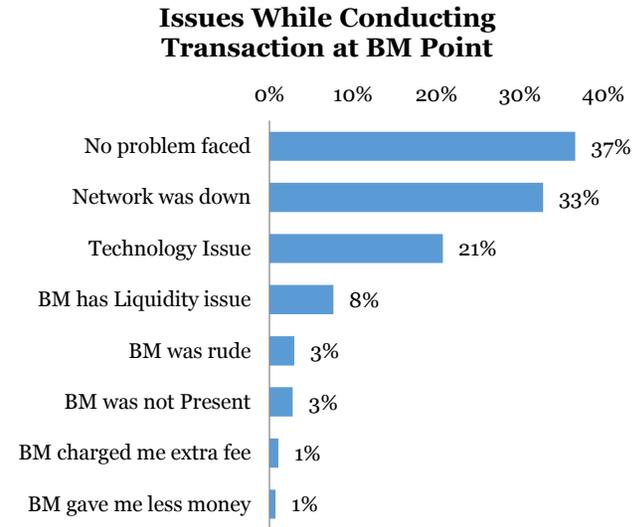
PMJDY Assessment of BMs-Round-II

Transacting at BM points has its own set of challenges. Customers reported the following problems while transacting at BM locations:

- Network downtime is the most common issue reported by 33% customers who faced delay or service denial due to network downtime;
- 21% customers reported problems due to other technical issues such as device breakdown or error messages; and
- 8% customers reported that they had faced problems due to insufficient liquidity with the BM.

Issues identified by customers are common to almost all BMs across states and across banks. Except for the network issue which is an infrastructure problem, proper training and a robust support system can address all the other issues being faced by customers.

Graph 31: Problems Faced by Customers at BM Point



Recommendations



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6 Recommendations

The detailed analysis of Bank Mitrs and feedback gathered from customers during round 2 reveals issues at various levels of operations. Addressing these issues can improve the overall efficiency and effectiveness of the BM channel, the implementation of PMJDY and the usage of bank accounts. *MicroSave's* recommendations are mostly operational in nature and can be implemented without any significant investments.

Very clearly, BMs are the first point of contact for customers, and have great influence on their decision making. The government/RBI must evolve a common standard training module for BMs with the objective of elevating their role from transaction points to “financial intermediaries”. The government can entrust IBA/RBI/banks to procure or develop training material that can be imparted by banks/BCNMs/BMs (experienced and active BMs can potentially act as trainers for other BMs in their vicinity). A mechanism for monitoring the roll-out of the training modules and certification of BMs should be established. A central agency should be made responsible to procure or develop the modules; develop the process and quality control for training; and issue certificates to BMs who complete all modules and pass the examinations. BMs can be given graded certification for different levels of achievement:

1. Basic training to enable opening of bank accounts and cash-in/cash-out transactions.
2. Advanced trainings covering products such as loans, savings and insurance. It can be mandated that such products can be offered by BMs only if they are certified in these products. Such an approach will incentivise BMs to take the trainings seriously. It also has to be mandated that without the basic training and certification, no BM can commence operations.

In addition to training, proper support to, and monitoring of BMs is equally important to maintain service standards. It is evident that bank officials/ BCNM staff do not visit BM outlets regularly. While this has a negative impact on the morale of BMs, banks/ BCNMs also lose opportunities to interact with customers and to get to know their market better. Regular visits will go a long way in establishing trust in customers and encouraging BMs to perform better. To ensure that officials indeed visit BMs, the visiting officials can sign in using an *Aadhaar*-enabled authentication mechanism, which is available at the BM point. Additionally, mystery shopping by independent auditors/survey firms can help ensure regular visits.

One of the basic prerequisites to keep BMs interested and engaged in this activity, which for all practical purposes is an entrepreneurial pursuit, is to keep them adequately remunerated. Commissions must be revised upwards to ensure payment of the minimum stipulated amount of Rs.5,000 per month.

Current levels of footfall at BM points are not enough to sustain business. Banks have to roll out additional products, as transaction volumes with basic savings accounts will not be adequate to sustain the BM channel at least in the short to medium run. Other products such as fixed and recurring deposits, insurance and pension, backed by adequate promotion, will provide a full suite of products to the customer and boost transaction volumes. BMs can also work to increase financial capability of customers and encourage responsible financial behaviour.

To reiterate the importance of the point mentioned above, it is important to simultaneously raise customer awareness to

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increase footfall and usage of more banking products and services.

To gain customers' confidence and trust in the system, mandatory, dedicated and automated helpline facilities for customers and BMs are necessary to ensure that all systems are working as desired.

Periodic data analysis and monitoring by RBI, and regular reporting by banks on system uptime, agent activity, transaction volumes and values, and other key indicators will be essential to build proper supervision systems for this channel.

For those BMs who are working well and need further support, capacity building on financial products, basic accounting and data management can be offered.