The Answer is "Yes"—Cost and Willingness to Pay in India

Akhand Tiwari, Akhilesh Singh, Ann-Byrd Platt, Graham A. N. Wright, Minakshi Ramji and Sachin Bansal

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MicroSave India

Preface

"Gaon mein koi bhee fizool kharchi nahi karna chahta. Ek seema ke andar wajib kharch dena pada, gaon mein suvidha ke liye toh log denge". (No one in the village wants to make unnecessary expenses. If a reasonable amount is charged for a banking facility in the village, then people will pay for it.)

Until now, the business case for Indian banks using business correspondents (BCs) to extend financial inclusion in rural areas has been an open question, but no longer. The needs of the customer, arguably the most important component in any business proposition, seem clear. More than two-thirds of the 748 respondents interviewed in a recent *MicroSave* study claim they are indeed willing to pay for more convenient banking services closer to home and work.

The responsibility now rests with the banks to prove their commitment to recruiting, training, and motivating business correspondents and is real. Banks to date have wavered and BC efforts have been inconsistent. A reliable network of financial representatives is expensive to build and sustain,[1] and banks already have more urgent fixed costs guaranteeing deposits and accurate accounting, maintaining security and branch operations, preventing fraud, and complying with government regulations. Nevertheless, an important and ongoing part of that compliance is fulfilling Reserve Bank of India's (RBI) financial inclusion targets.

The BC model is one way to ease branch costs in rural areas and to meet these targets. Estimates for the number of Indians without bank accounts varies from 400 million[2] to approximately 600 million if one factors in 8.6% population growth in 2010-2011, dormant accounts, and the greater focus on the unbanked rural poor, rather than urban migrants and other indigent city-dwellers.[3]

An additional reality worth noting is most bank branches' general reluctance to serve this clientele. Deposits are too low to sustain the increases necessary in staff, IT and accounting, and physical space necessary for full financial inclusion. A recent report by the Confederation of Indian Industry and Boston Consulting Group on efficient, low-cost distribution networks for these marginal customers does not encourage the branch model.[4] With an estimated cost-income ratio of 10-12, already well above any sustainable norm, Indian banks would need ~Rs.200 billion to extend their branch networks to include all the currently excluded households.[5] Previously, microfinance institutions (MFIs) have helped share costs and responsibilities for these customers, but their role remains uncertain moving forward.

[1] For a more global understanding of these issues, please see CGAP *Agent Management Toolkit, Building a Viable Network of Branchless Banking Agents Technical Guide*, Mark Flaming, Claudia McKay, Mark Pickens, 2011 Consultative Group to Assist the Poor/The World Bank
[2] Among others: http://blog.finoweb.co.in/?tag=unbanked, 2010 statement from The founder, executive vice-chairman and managing director of Kotak Mahindra Bankhttp://aboutus.kotak.com/newsroom/indian-banking-during-the-past-decade.html
[3] http://www.rediff.com/business/report/banks-should-tap-the-unbanked/20110317.htm
[4] Ibid.
[5] Ibid.

Public-sector and retail banks in India now have both a greater obligation and more opportunities, welcome and unwelcome, to enable poor people manage their money better.

Trust is the most fundamental aspect of administering this money, and microfinance has had a mixed record fulfilling this trust, most notably in Andhra Pradesh late last year and in prior instances as well.[6] The blame for this breach varies, depending on the region and MFIs involved, but excessively high interest rates, overselling credit, subsequent debt and coercive collection methods are most notable. These and other credit-related problems have unfortunately had repercussions for all aspects of financial services for the poor, including the only partially resolved business case noted above. The high costs of retail banking and building a BC network, and the current low levels of trust in alternative sources for credit and savings, mean that the people already at a severe disadvantage remain too often exploited, underserved, or ignored.

One solution is to charge small fees, particularly for "doorstep" or local services in areas without easy access to branches. RBI has sanctioned "reasonable service charges" since 2009 to help defray the banks' costs of maintaining low-deposit accounts and to encourage business correspondents. The BC model is similar to agent networks wherein BCs, acting as authorised bank representatives, offer on-site service for deposits, withdrawals, loan repayments, and cash delivery for remittances and other options for customers in remote locations. BCs can also open new accounts, including savings and insurance.

Will such fees provide sufficient incentive for banks, mobile network operators and other potential providers of financial services for the poor? M-Pesa, a rapidly expanding mobile money service in Kenya, would indicate yes. Its success, which hinges on volume, comparatively high fees, and a strong agent network, has inspired detailed analyses and conjectures of the numbers necessary to make comparable offerings viable in other developing economies.[7] (See sidebar for more details.)

Until now, however, no one has asked the customers themselves if they are willing to pay extra for banking services, and if so, how much.

Maybe in Kenya Only…Maybe Not Forever

M-Pesa, the Kenyan mobile banking initiative for the unbanked and under-banked in East Africa, currently serves more than 13 million customers, up from 7.8 million two years ago. And it makes money for its parent company, Safaricom—a total of $94.4 million in revenues (Ksh.7.56 billion) for fiscal 2010. Even more impressively, M-Pesa revenues grew 158% over the year-earlier figure of $36.6 million (Ksh.2.93 billion)

This leaves almost every other financial inclusion effort around world both envious and baffled. How is it possible that M-Pesa makes so much money and signs up so many active customers—many of them saving, repaying loans, investing and insuring, and even gambling, in addition to fulfilling the famous M-Pesa slogan, "Send Money Home".

The most important reason is that in Kenya, these and other transaction services are always more expensive at bank branches. In India, they are free—or perceived as free—by bank customers who fail to calculate "maintenance" and other charges. Kenyan banks and financial institutions, including MFIs, insurance agencies, investment and pension plans, use M-Pesa as their outsourced teller for cash in and cash out. In a country where the average monthly income is ~$63, customers pay fees of 7% or more of the total for money transfers and sometimes as high as 35% for other transactions. Because high fees are the norm in Kenya for all financial services, whoever helps enable them, customers accept these costs. In other countries, including India, price sensitivity is more acute and "willingness to pay" would never extend to these levels.

There are other issues including delays in transaction processing and reconciliation, invalid keypad entries and subsequent (often unresolved) problems, and a growing consensus among many Kenyan banks in favour of more competitive alternatives. "Safaricom is playing a bully", notes one senior manager. "It dictates all the terms and does not listen to the other partners".

Compiled from: http://mobile-financial.com/node/8927/ Proof-mobile-money-can-make-money?-M-PESA-earns-serious-shillings-for-Safaricom;

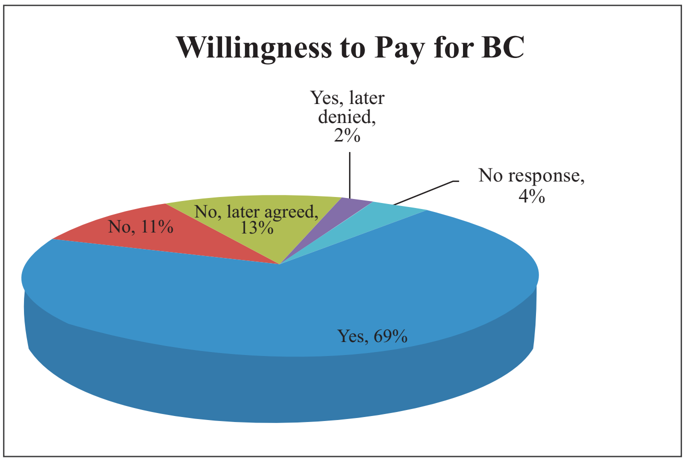
MicroSave Briefing Note # 94, "Riding the M -Pesa Rails: Advantages & Disadvantages", M, Sadana, G, Mugweru, J.Murithi, D. Cracknell , G. A.N. Wright, May 2010

[6] For more information on this, please see *MicroSave* India Focus Notes (IFN), 55"The Andhra Pradesh Crisis: Three Dress Rehearsals … and then the Full Drama", IFN 56 "The Andhra Pradesh Crisis: So What Next?", IFN 57 "The Andhra Pradesh Crisis: What Should MFIs Do?", and IFN 59 "The Andhra Pradesh Crisis – Clients' Perspective".
[7] http://mmublog.org/wp-content/files_mf/innovationseconomicsofbranchlessbanking.pdf, http://mmublog.org/profitability/, http://technology.cgap.org/2011/03/15/focus-on-product-pricing-and-agents-to-drive-adoption/

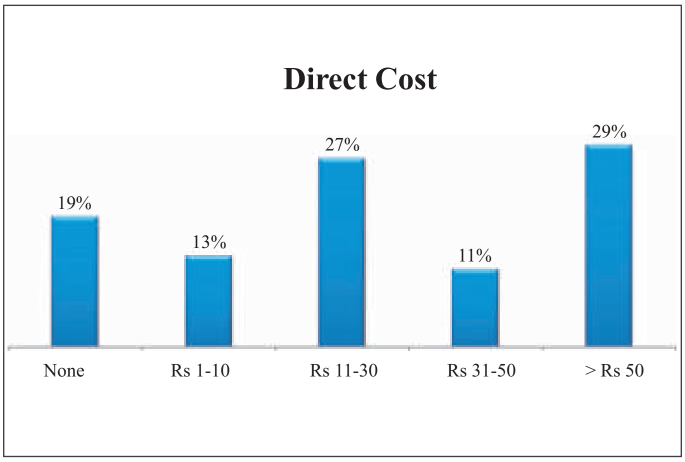
MicroSave conducted this assignment in early autumn 2010, interviewing 748 respondents in 163 sessions in Rajasthan, Tamil Nadu and Uttar Pradesh. Detailed reports for all these regions are available via *MicroSave's* website. This multi-region study focuses specifically on the services business correspondents provide in rural areas - and whether or not this particular customer segment thinks the greater convenience and other potential benefits are worth paying for.

Key Findings

1. **Close to 70% of study participants indicate willingness to pay** for BC services. Almost half seem to prefer a percentage model (1-2% of the transaction total), while close to 30% opt for flat fees.



2. **Bank transactions are difficult** for most respondents. Travel to and from the branch, direct and indirect costs incurred (Rs.10-Rs.50 and higher for lost wages), wait time while there, literacy barriers, poor IT and other back-office support, and unhelpful bank staff are the reasons they cite for preferring the local and more personalised convenience of business correspondents.



3. Many of the respondents accept the rationale behind charging a small fee for withdrawal and account-opening if branch visits are eliminated. **Price sensitivity is high, however, as is customer awareness of how banks make money**. No one thinks fees are acceptable for savings deposits or "maintenance", particularly for no frills accounts (NFAs) with no ATM cards and no cheques

4. **Customer trust**—in the BC, in the security of their payments and deposits, in the new system—**will take time**. Adoption will be cautious at first and full use of the various bank services will depend on the efficacy and reliability of initial transactions. Too many fees, too fast, imposed without strong justification, could easily cause the high numbers currently willing to pay to drop precipitously

5. At some level, these **customers also seem to understand the government support of NFAs and the BC model**, and that branchless banking is usually cheaper[8] than normal retail branch operations.

[8] http://technology.cgap.org/2011/03/15/focus-on-product-pricing-and-agents-to-drive-adoption/

More About the BC model

India's rural population comprises roughly 75% of the country. Almost three-quarters of the 89 million farming households have no access to credit and only 39% in rural areas have bank accounts.[9] Continuing to ignore or poorly serve these needs will only hinder the overall growth of the nation's economy. The Indian government and its central bank understand this and, though implementation is at times flawed, their commitment to financial inclusion has been stronger and more consistent than other emerging economies with similar demographics.

To help address limited branch networks in rural areas, and the numerous difficulties travelling to and from these branches for very small transactions, RBI introduced new guidelines in the year 2006. These included business correspondents as bank intermediaries to encourage savings and offset the heavy emphasis at the time on credit and loans. More recently, the RBI has eased restrictions for mobile network operators (MNOs) and other for-profit companies, allowing them to become more directly involved in the BC model and mobile money initiatives. The larger BCs such as FINO, SEED Financial Services and 'A Little World' are actively seeking private equity funding, so far with some success, to help meet ambitious government financial inclusion targets for early 2012 of 73,000 villages with populations of 2,000 or more.[10]

Of 50 public sector and commercial banks, 27 have implemented the BC model and some 14 million new accounts have been opened, many with the assistance of technology service providers. This is a useful beginning, but adoption has been disappointing and the overall viability of the BC model is currently under review.

- **BCs' unrealistic expectations of potential earnings** and banks' inability to present an accurate and persuasive case for these representatives. A recent multinational CGAP study on the larger issue of agent networks reveals that daily net profits for Indian agents range from $0.69 to $3.99. Costs, including insurance, can be as high as $0.99.[11]

- **Financial services are more time-consuming, and more dangerous,** than selling air-time for mobile network operators. Persuading prospective customers, particularly poor ones, that recurring deposits, insurance premiums, or even mobile loan payments make sense requires time, patience, sophisticated sales skills, and full bank support. Most BCs, have few of the above. They also need to hold cash and manage e-floats up to $1,250 for their 19-28 daily transactions. Many run the risk of losing half that amount due to robbery to and from the bank.[12] Cash-in-transit insurance covers some but not all such losses, and generally BCs, not banks, must absorb the cost of the insurance and the theft.

- **Customer retention and development are difficult.** And the real revenues for BCs derive from customers who transact regularly in an expanding number of accounts. Too many account holders only use a mandatory NFA to cash in National Rural Employment Guarantee Act (NREGA) and other government disbursements or to receive remittances. Others open accounts under sales pressure and for benefits they do not understand. Such accounts tend to become quickly inactive.[13]

- **Better incentives, better allocation of branch resources.** The cost benefits of branchless banking are clear for consumers-up to 50 % for money transfers, savings, and payments if mobiles are involved-and less obvious and highly variable for banks.[14] Nevertheless, for BCs to lose money and/or lose interest due to insufficient incentives and support from their bank sponsors hurt every one: the business correspondents; the customers they serve; but most especially the banks. BCs who are better compensated and motivated will ultimately allow branch staff to focus more time and attention on the more lucrative needs higher-income clients. Business correspondents will also make money for banks since savings and other deposits, no matter how small, signify investment capital, especially if accounts for 73,000 new villages are involved.

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[9] Deepening Financial Access in India - A Blue Print for Commercial Banks Using Business Correspondents and Business Facilitators", Bindu Ananth, Asha Krishnakumar, IFMR Finance Foundation, February 2010, http://www.ifmrtrust.co.in/downloads/IFMR-Finance-Foundation-Blue_print.pdf

[10] http://www.business-standard.com/india/news/business-correspondents-explore-pe-funding-route/432187/

[11] http://www.cgap.org/gm/document-1.9.49831/AgentManagement_TG.pdf *Agent Management Toolkit, Building a Viable Network of Branchless Banking Agents Technical Guide,* Mark Flaming, Claudia McKay, Mark Pickens, 2011 Consultative Group to Assist the Poor/The World Bank, pp.4, 28. NOTE: Specific costs and revenues for business correspondents vary markedly per bank and region in India. Estimates are not available.

[12] Ibid.

[13] For more information on account dormancy, please see No Thrills – Dormancy in NFA Accounts, January 2010

[14] http://technology.cgap.org/2011/03/15/focus-on-product-pricing-and-agents-to-drive-adoption/

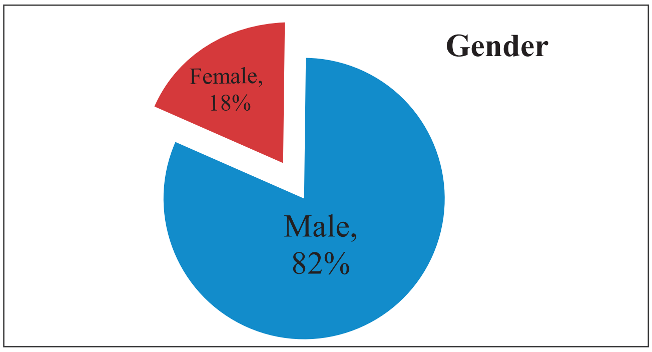
- **Other BC complaints include**: interest paid to banks for cash advances to manage predictable monthly liquidity problems; lack of bank promotion for BC services and building trust without full bank support; limited or no compensation of BC work expenses (insurance costs apparently matter most, but travel also significantly erodes BCs' profit margins); and inflexible and often unrealistic end-of-day or next-day cash-settlement demands in remote rural areas.

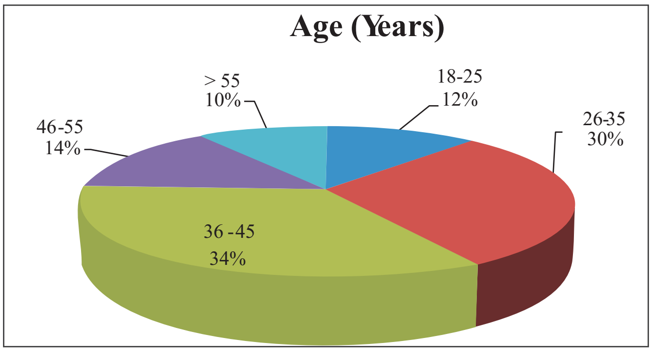
As a result, the BC drop-out rate is high and banks find it increasingly difficult to find interested, qualified replacements. Again, introducing fees for BC services may improve this situation. Banks may also take this face-saving opportunity to rethink costs and reorganise their branch operations to meet more fully the needs of their business correspondents and the long-term revenue potential BC customers represent.[15]

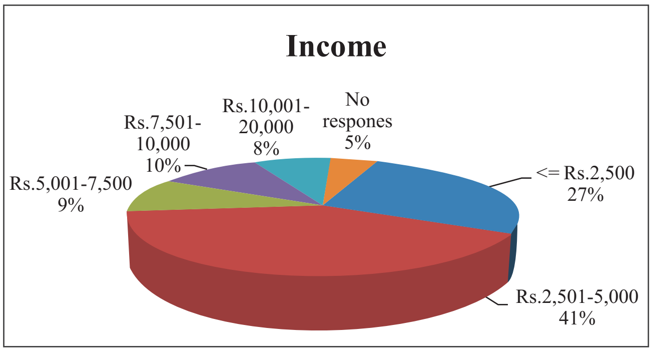
Fees—For and Against

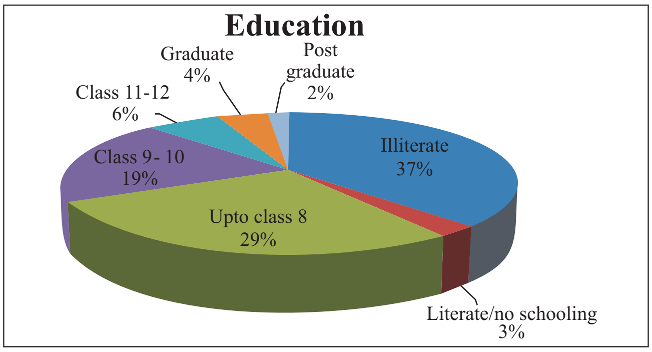
Let us return our attention now to the customers interviewed for this study and their reasons for finding BC service fees acceptable or unacceptable. These reasons may not hold up under the cold, hard reality of constant fee debits, but in the interim they can provide banks and their BCs with stronger sales pitches and marketing strategies for this clientele.

The profile of the 748 respondents (307 Tamil Nadu + 190 Rajasthan+ 251 UP) is predominantly male (82%) between ages 26-45 (64%). Most work as agricultural or wage labourers or participate in NREGA programmes (59%). Just under 20% work for small businesses or shops. Earnings vary from zero to Rs. 2,500 per month (27%) to Rs. 2,501-5,000 (41%) to more than Rs. 10,000 (8%). Almost 30% have attended school through class 8; 37% are illiterate. The majority currently visit their bank branch on a monthly basis, if not more often. A full 75% have at least one account; 14% have two. Slightly more than half opened and use these accounts for personal savings (53%), while 34% use them to cash out NREGA benefits and 31% use them for loan payments.

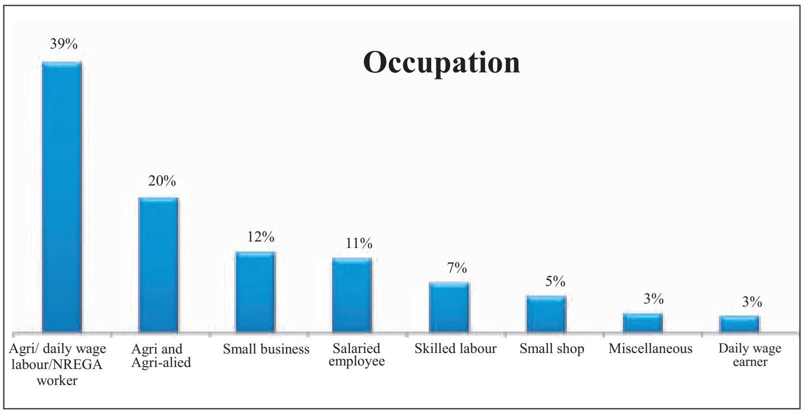


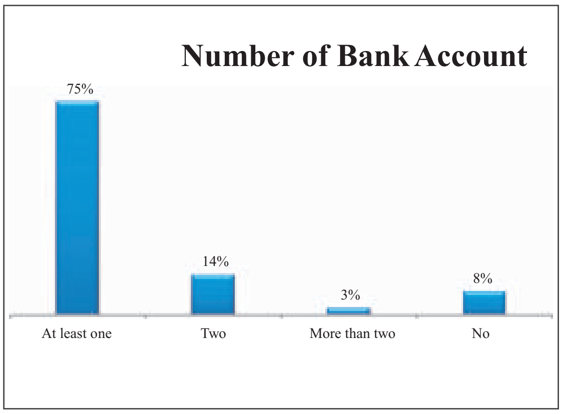


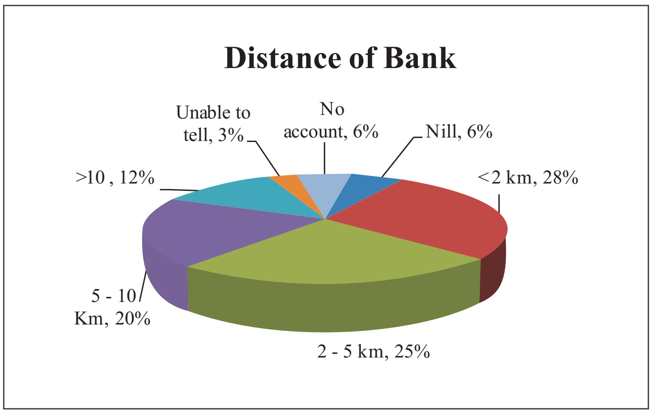


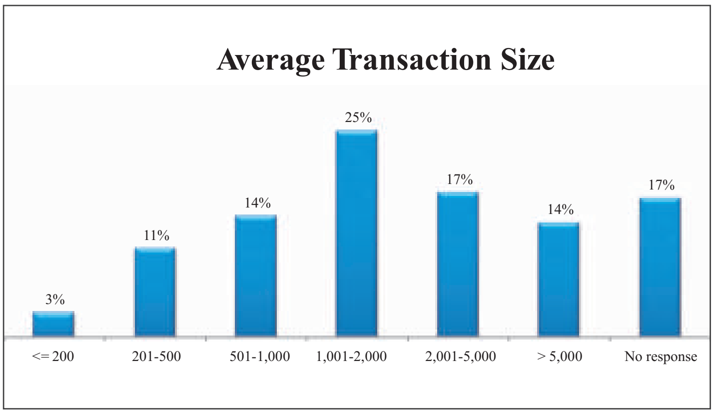


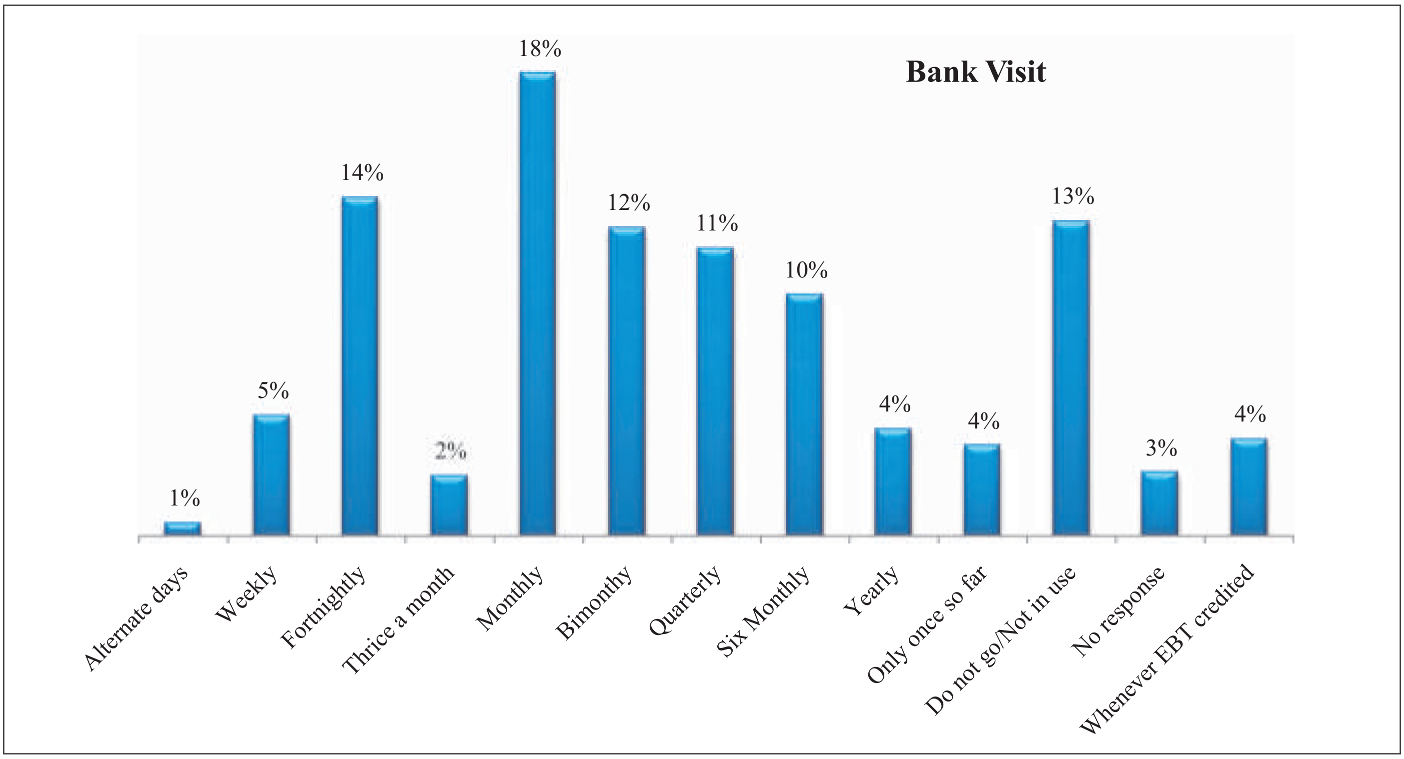
[15] *MicroSave* India Focus Note 65 "Successful Business Correspondents Need A Compelling Product Mix", and 68 "SBI Tatkal-From Cash to Cash Cow".


Occupation
39%
20%
12%
11%
7%
5%
3%
3%
Agri/ daily wage labour/NREGA worker
Agri and Agri-alied
Small business
Salaried employee
Skilled labour
Small shop
Miscellaneous
Daily wage earner


Number of Bank Account
75%
14%
3%
8%
At least one
Two
More than two
No


Distance of Bank
Unable to tell, 3%
No account, 6%
Nill, 6%
>10 , 12%
<2 km, 28%
5 - 10 Km, 20%
2 - 5 km, 25%


Average Transaction Size
3%
11%
14%
25%
17%
14%
17%
<= 200
201-500
501-1,000
1,001-2,000
2,001-5,000
> 5,000
No response


Bank Visit
1%
5%
14%
2%
18%
12%
11%
10%
4%
4%
13%
3%
4%
Alternate days
Weekly
Fortnightly
Thrice a month
Monthly
Bimonthly
Quarterly
Six Monthly
Yearly
Only once so far
Do not go/Not in use
No response
Whenever EBT credited

Perceived Benefits of BC Services

Saving time and money: In most interviews, the primary benefit respondents note for the proposed BC services is the time and money they will save not walking, or travelling by public transportation, to and from the bank, and the estimated three-four hours not spent queuing for basic deposit and withdrawal transactions. In some cases, they must return for a second visit because tellers are not available to help them, IT servers are down, and/or cash reserves are insufficient.

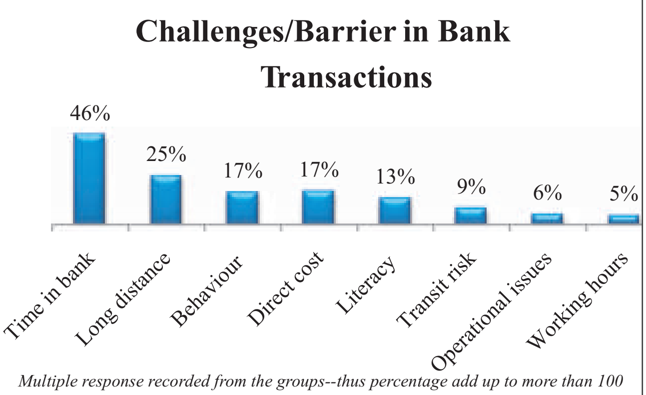
Direct and indirect costs can be high (Rs.10-Rs.50 and higher for lost wages and time not spent at home preparing food and gathering wood). Most agree that a local and more personalised BC service with more flexible hours would be preferable.

Improved security: The BC is responsible for the cash carried to and from the branch (and for its loss), thereby eliminating the risk for all account holders, but especially for those who are elderly, handicapped, or in other ways more vulnerable.

Easier to save: With the flexibility, convenience, and perceived economies of the BC model, respondents say more frequent savings deposits are likely, even if those deposits are small. Female account holders also welcome the possibility of a separate, perhaps clandestine, account which they control and to which their husbands do not have access.

Emergency withdrawals: This as an infrequent but vital advantage BCs can offer. When emergencies arise, respondents currently borrow from a neighbour or relative or from money lenders, arrangements no one likes.

Easier interactions: Money transactions can be complicated, especially for the illiterate and semi-literate, and many are not comfortable with bank branch staff. Most agree that filling in withdrawal or deposit forms, opening a new account, or using new mobile technology would all be easier and faster with a familiar, patient business correspondent.



Multiple response recorded from the groups--thus percentage add up to more than 100

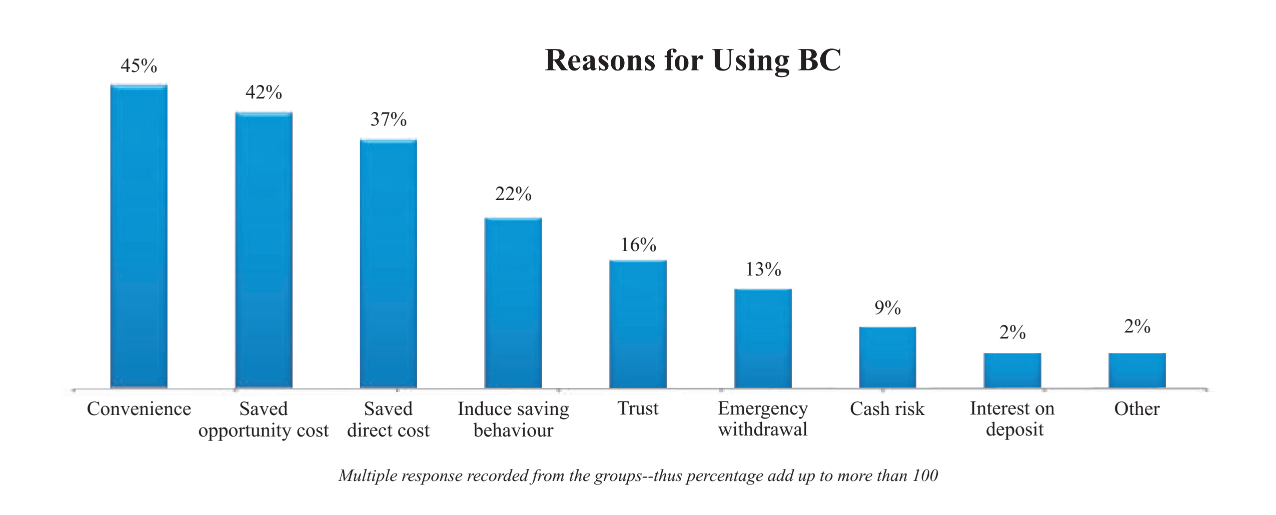
"Door hone ke kaaran khata kholne mein log katrate hain", "Suba paanch baje uthna padega, kaam niptake, 9:30 tak ghar se nikalna padega", "Kabhi kabhi nashta bhi nahi karte hain", "Bank ke andar ka kaam sahi nahi hai, bahut time lagta hain". ([We] hesitated opening bank account [as] we have to wake up at 5[am], complete household work, and sometimes leave without breakfast, and it takes too much time as work inside the bank is not good or efficient.)

"Bhai sahib aap hi sochiye, agar narega ka Rs.200. Ka payment lene bank jaana pad jayee, to aadmi ka Rs.250. to aane jaane me hi lag jayeega to isme to ulta Rs.50 dene pad jayven – aur aap bank jaane ki baat karte hain". (If I have to get Rs.200 payment of NREGA and the travel costs me Rs.250, it is a loss of Rs.50 for me!)

"Computer kharab nahin bhi ho to bhi kehte hain ke kharab hain". (Often even when the computers are not broken, [bank staff] would still say, "Computers are not working, come back tomorrow".)

"Agar bank yahan hogi to pudiya mein Rs 1.5 nahin kharch karenge, jama kar ke kuch paisa ikaththa kar lenge". (If the 'bank' is closer, we would not spend small amounts, we would deposit these and build up some money.)

"Etho seekirama vela mudiyum, easya panam edukalam podalam enkirathukaga payan paduthalam. Itho ipdi rendu theru thandina udaney bank than, athunala banku pogarathulu ellam engalauku onnum siramam kidayathu". (We will use [BCs] only because the transaction will be quicker and we can easily deposit and withdraw. The bank is located just across two streets so we have no difficulty in going otherwise.)



Customer Preferences for BC Services

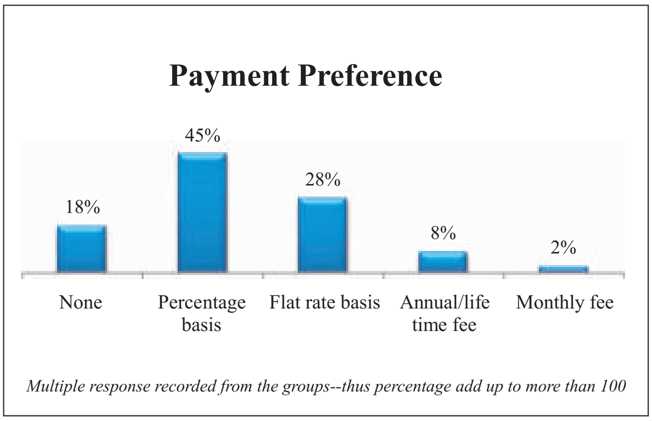
- **Percentage-based fees**. In almost 45% of the sessions, respondents are more comfortable paying 1-2 % of the transaction amount than a flat fee or an annual charge. Most know already their deposits and withdrawals will be small (Rs.10 is the lowest; Rs.10,000, the highest), and they calculate these fees will be less than their current direct and indirect bank-visit costs, and worth the greater convenience and flexibility BCs offer.

- Some groups suggest decreasing the percentage for large transactions (2% for sums less than Rs.2,000; 1% if higher). They also worry that BCs will offer the best levels of service to those households with high-volume needs. Lower-income clients will pay less and receive less attention.

- **No fees on deposits**. The majority are willing to support fees on withdrawals only, not on deposits. They claim deposit fees will be a strong disincentive to regular savings, and they note that their current banks and non-banking financial companies (NBFCs such as Sahara and Peerless) do not impose such charges, so BCs should not either.

"Paise jamaa karte waqt log paise nahi denge. Isse paise par kam byaaj milega. Nikalte waqt log paise dena zyada theek samjhenge". (No one will pay while depositing the money. It will reduce their interest amount. People will find it better on being charged for withdrawal.)

- **Lower fees for emergency withdrawals and planned expenditures**. Respondents suggest that charges should be slightly less in these two instances since these are either highly emotional, difficult situations, or planned sufficiently in advance for to manage liquidity issues and other BC inconvenience. No one is happy to part with savings in either case, and they note that lower fees would create goodwill for both the bank and BCs.



- **Flat rates** appeal to 28 % of the groups interviewed. Most of these respondents link fees directly to their current costs for branch visits and suggest charges of Rs.5-10 on transactions of Rs.1,000-10,000. They understand that flat rates will be less advantageous for small amounts, but they rationalise that over time, transacting both large and small sums, flat fees will be less expensive.

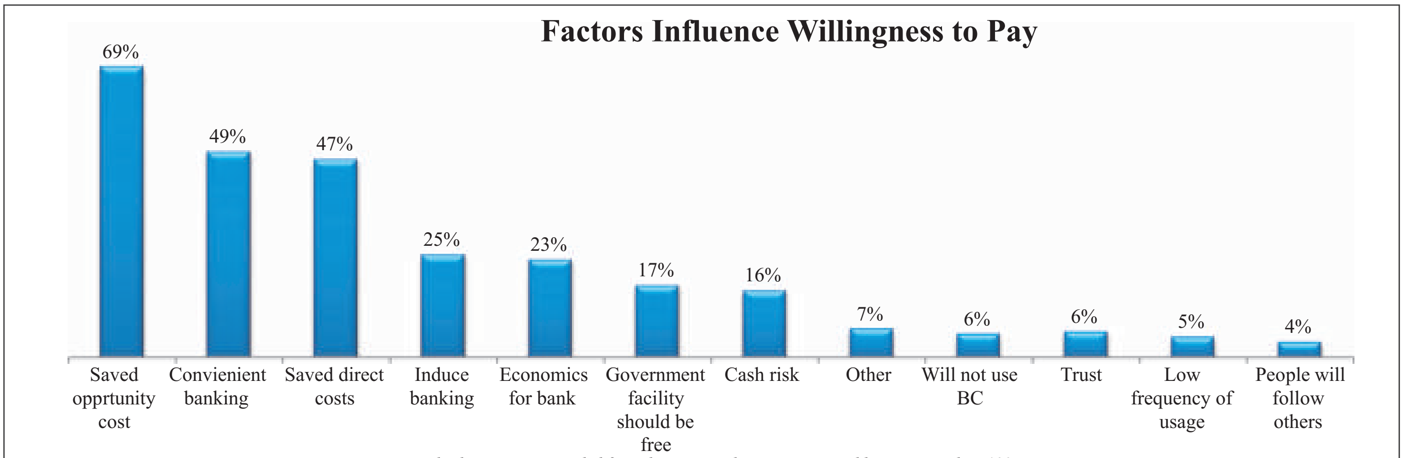
"Oru nalaiku 70 rupai samabrikaravangaluku 10 rupai ku mela kuduka mudiyuma? Neengaley sollunga!" (For us who earn Rs.70 per day, can we afford to give more than Rs.10? For a transaction!)

- **Other Suggestions**. In 8% of the sessions, annual fees or a lifetime fee are the preferred BC charges. Only 2 % advocate a monthly fee of Rs.10-25. Those in favour of the annual or longer-term fees all dislike per-transaction charges, both percentage-based or flat, and worry about paying banks more than necessary. Individual proposals include:
    - o Villagers pool money and pay a monthly fee to the BC out of the pool.
    - o Annual fees to be revised after five years with possible new terms for renewal.

Unwillingness to Pay

Close to 13% of the respondents claimed they were unwilling to pay for BC services. Reasons include:

- **No branch charges**. These respondents argue that all deposits and withdrawals at the bank are free, and BC services should be as well. Those who understand this is a government-sponsored programme maintain such initiatives should remain free for the poor. Most realise that banks must cover some of the BCs' costs, but they note that since banks will earn some money from customers' deposits, there should be no charges for their personal capital investment nor for new account openings.
- **Security and trust**. These are issues of paramount concern for everyone. For those who have had bad experiences saving with private, unregistered groups, trusting a local business correspondent, even one authorised by a bank, will take time and a history of friends' and neighbours' good experiences. Others find it hard to imagine making a savings deposit at a grocery store or with an individual. (They also worry that deposits in outstanding credit situations, with the shop owner or the BC, may prove uncomfortable and difficult to negotiate.)
- **Branch is nearby**. Respondents who live within easy walking or cycling distance of their branches (1-2 kms.) and for whom time is not a high priority claim they will continue using the bank rather than paying a BC. They emphasise it will be difficult to impose charges on poor people who work very hard to earn such small amounts of money.



Multiple response recorded from the groups--thus percentage add up to more than 100

- **Other options**. Some note BC services appear comparable to those offered by the local post office where savings accounts and withdrawals are free. They also compare the BC model with the unregistered societies and chit funds (e.g. Beesis) which do not collect fees for savings. They are quick to point out they earn better interest in such savings arrangements than they would with banks. Others compare BC services with insurance agent models, mentioning that these agents collect premiums and other deposits free of cost.
- **Trips to town are not just banking**. Many already visit the markets close to bank branches at least twice a month for groceries and household supplies. They enjoy these outings, do not want to give them up, and see no reason to pay for local BC services.
- **Saving under the mattress still works best**. For some, their savings are so small; they are reluctant to pay any fees for banking services or trust their money to someone else for deposit. They prefer to accumulate the occasional extra Rs.10-30 and keep these sums safe at home.
- **More tailored offerings for villagers' needs**. If BCs can only offer no frills and other "plain vanilla" accounts, even supporters worry that the BC model may fail. The major requirement for most rural poor is available credit to help ease difficult agricultural cycles, and to pay for education, health care, marriages, funerals, and emergencies. Recurring deposits and the favourable terms of "commitment savings" are becoming more widely known - and appealing. BCs who can offer these and other options that fulfil their customer needs will fare better than those who have only a limited suite of services.

Conclusion

Difficult questions remain unanswered. What "reasonable" charges for BC services will customers actually pay when faced with paying more to bank more? Perhaps more important, what amounts will be necessary to help ease the existing ill will between some banks and BCs and the expenses for both noted above? *MicroSave*'s study is only a first step toward understanding workable fee structures, customer concerns that banks and BCs will need to address, and the time necessary to implement these changes.

Nevertheless, this statement—and the research supporting it—represent a breakthrough: "*Agar baat samajh mein aa gayi toh fees de denge gaaon ke log, par zyada fees bhee nahi de payenge*". (If people in the village understand the concept of the BC service, they will pay for it. But the amount has to be reasonable for them to use it.) If India's poorest customers are in fact willing to pay for better, easier ways to manage their finances, then many things, including a viable business case for business correspondents, may now be possible.

Name: Ram Kailash Jaiswal
Age: 45
Education: Class 8
Occupation: Shop owner, agriculture, generator and lighting rental.
Village: Bagai Khurd, Phoolpur, Allahabad
Family members: Mother, wife and five children
Saving avenues used: Kshetriya Grameen Bank, State Bank of India and LIC
Household monthly income: Rs.6,000-8,000 (includes remittances)

Ram Kailash has lived in *Bagai Khurd* since birth and owns a tea shop in the village market. He also owns 1.5 bigha of land. In addition, he rents generators and lighting systems for village functions. His three sons live in Surat and work as vegetable vendors.

He has two bank accounts, one with Kshetriya Grameen, Bank, and the other with State Bank of India. Both are in Sahson market, eight kilometres away. He makes the one-hour trip to the market every four days with his cycle to buy groceries for his shop. He visits the bank once a month or whenever he needs money for his business and family needs. His Kshetriya Grameen account is more than 10 years old, but he opened the SBI account four years ago to cash a cheque received from India's Life Insurance Corporation (LIC).

Now he keeps money in both accounts. This is useful as he can deposit or withdraw at whichever bank is less crowded. Since he has some education, he finds bank transactions easy; nevertheless, he likes the BC model as business correspondents will allow him to bank in his village, and he can earn more if he remains in his shop. He claims he will happily pay 0.5% on every BC transaction, or Rs.100 per annum for doorstep services.

"*Har baar .5% le lo ya phir saal bhar ka ek sath 100 rupaiye le lijiye. Sab logo ko bahut suvidha ho jayegi, par nafa nuksaan to dekhna padega, agar0 .5% se jyada hai to log wahi jakar nikal lenge*".(Either take a 0.5% charge for each transaction or take Rs.100 spot on. This will be a good facility for everyone, though we will have to see benefit for the cost. If it [costs] more than 0.5%, then people will go to the bank and withdraw money.)

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