

Aligning banking services with convenient of customer

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Abstract

This Article tries to investigate the new service approach which is prominently applied now a day by several banks of India to rich their reach to the society, which is considered as one of the banking strategies to render financial products and services for unbanked population at doorstep. This paper includes the difficulties confronted by banks to reach. The required references are taken mostly from secondary data. The achievements of Banks in implementation of new business models to transform unbanked to banked were found to be consistent in the maximum area. Settlement of transacted accounts on the same day to bank, Outreach and technological glitches were found to be major difficulties faced by the Business Correspondents models in providing banking products and services to the unbanked.

Mobility and customer convenience seen as keys to growth, banks are busy exploring new technologies. Branchless banking is a modern mechanism to facilitate financial services in developing regions. There is a considerable growth taken place in branchless banking services in India, despite this, branches are unlikely to die, despite ATMs, laptops and smart phones becoming primary platforms for daily banking. Branches will continue even after the new modes spread to rural areas. Through this paper an effort has been made to understand the Branchless banking, its performance, cost structures and issues and challenges.

Keywords: business models, financial inclusion, reach, difficulties, branch less banking, user-friendly

Introduction

In recent days, the Government giving more priorities for financial inclusion as the most important policy to easy the reach of financial services for each and every person does not have convenience financial access in the nation and which in turn hamper the expected growth of various financial services. Financial inclusion is the delivery of financial services to all the people at affordable cost which should reach the low income and disadvantaged group in particular. But in reality the actual scenario is that half of the population in the nation is financial exclusion, which promotes poverty, unemployment and social exclusion. The need of strategy has become mandate at this point which can promote a more effective and efficient process to achieve significant improvements in financial inclusion, and is ideally prepared with the private sector in order to establish and achieve shared, achievable goals for financial inclusion. The concept of branchless banking model can be synonymouzed called Business Correspondent (BC) model as a strategy to reach financial inclusion. Virtual banks are now seen as an answer to the challenge of designing a new service channel that is fully secure, functional and which customers can readily learn to use and trust it. Virtual banking -- a powerful "value added" tool -- has become the focal point for banks to attract and retain customers.

A Glimpse of Indian Banking Services

- The banking sector is highly correlated with the economy of the country. The GDP growth is estimated at 7.8 per cent for FY16-17, so the economy is expected to recover and be back on the growth track in FY16-17. This will also result in the banking space witnessing a spurt in growth in business next fiscal.
- Financial Inclusion Program: Currently, in India, 62% of

the adult populations don't have bank accounts, which indicate a large untapped market for banking players. Under the Financial Inclusion Program, RBI is trying to tap this untapped market and the growth potential in rural markets by volume growth for banks.

- Increasing disposable income and increasing exposure to arrange of products, have led consumers towards a higher willingness to take credit, particularly, young customers.
- Increasing spread of mobile banking, which is expected to become the second largest channel for banking after ATMs, will accelerate growth of the sector.
- The Indian economy will require additional banks, and expansion of existing banks to meet its credit needs.

According to an IBA-FICCI-BCG report, India's gross domestic product (GDP) growth will make the Indian banking industry the third largest in the world by 2025. According to the report, the domestic banking industry is set for an exponential growth in coming years with its assets size poised to touch USD 28,500 billion by the turn of the 2025.

Branchless Banking in India: A Brief

Reaching out to a large unbanked population can be achieved by a judicious use of technology and people on the ground to extend financial services to the unbanked by opening up channels beyond the currently operational branch network. This branchless banking has to be done in conjunction with other plans and direction provided by the Indian government to opening more brick and mortar branches in states, districts, taluks and villages, identified by the government of India. Branchless banking is the vehicle to take banking to customer's doorstep rather than the traditional approach of the customer seeking the banks.

Objectives

- To study the methods of delivery for branchless Banking in India.
- To measure the Performance of Selected models of Branchless banking
- To study the benefit of branchless banking in India
- To study the experience of branchless Banking in India

Scope of Study

This study is an attempted to cover sufficiently broader aspects of branchless banking service approach, considering various dynamics of this innovative and user friendly service style. Main focus of this study is to explain the concept of branchless banking, to identify the benefits and issues which promotes and/or hinders the successful implementation of branchless banking. Through feedback from users an effort has been made to know their experience and to provide some valuable solutions for the bank(s) to make their future roadmap.

Research Methodology

A descriptive and exploratory study is used besides personal interaction with bank officials. Secondary source of data is referred to collect information and related facts.

Literature Review

Swabhiman: One of the flagship programmes of the UPA II government, Swabhiman, which aims at providing branchless banking through use of technology, was launched on 10th February, 2011. In this scheme, banks are supposed to provide basic services like deposits, withdrawals and remittances using the services of Business Correspondents (BCs). The initiative enables government subsidies and social security benefits to now be directly credited to the accounts of the beneficiaries, who would be able to draw the money from the Business Correspondents in their village itself.

The reason for financial exclusion is people leaving for from branch location, due to the high cost of collections and distribution of services through Branches made introduction of Business Correspondents Model (Porteous, 2006) at present it was considered as a viable alternative delivery model for bank branches

The constraints of the traditional brick-and-mortar approach have been widely acknowledged, and the RBI has permitted from 2006 onwards to banks for employ business correspondents/business facilitators (BC/BF) to conduct business on behalf of the banks. Branchless banking like Business Correspondents model is the low cost banking facilitators and model for reach of outreach among all other delivery models (May, 2009).

Almost 4 billion people are unbanked—more than two-thirds of the population in the world's low- and middle-income countries. They are the huge unserved majority today. In recent years, there has been growing effort and interest in measuring financial inclusion, but as yet we have no globally consistent datasets that can give us a clear sense of how this proportion has changed over the past decade. However, evidence from countries like Brazil, South Africa, India, and Kenya strongly suggests that there has been an upward trend (Fin Mark Trust 2003 and 2008; FSD Kenya 2009a; Kumar 2005; World Bank 2008a).

To make people connected to the models, it is better to handle technological tactics that facilitate financial inclusion

efficiently by using smart card, biometrics and hand-held devices for disbursement of salaries and wages so that the population with reliable source of income would be saved regularly and thereby increasing financial inclusion (Ambrosius, Christian,

Barbara Fritz, and Ursula Stiegler. "Remittances for Financial Access: Lessons from Latin American Microfinance." *Development Policy Review* 32, no. 6 (2014): 733-753.)

The Reserve Bank paid attention to promote the significance of financial inclusion through BC models in central province of India. BC models were made to involve in that drive and they experienced the plan as success with viability. The models were found to be dedicated with commitment to reach financial inclusion to the greater extent [9]. Mahajan, Shrikrishna S., and Natha Kalel. "An Assessment of Potential Financial Inclusion of Slum Dwellers through Business Correspondent Model." *IUP Journal of Bank Management* 12, no. 4 (2013).

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Branchless Banking – Redefining the Banking Service

Nationalization of public sector banks left all Indian banks looking alike. With very less competition to contend with, this situation has lasted for around 2 decades. However, with the entry of private banks as well as foreign banks, public sector banks are feeling the need to differentiate their offerings. Branchless Banking has been used as a strategy by various banks to enhance their brand image. With surging competition in the Indian retail banking industry, all banks including behemoths like the State Bank of India (SBI) are vying for new customers by promising better services. At this juncture, many regional banks with limited reach compared to other nationalized banks such as SBI needs to develop sound branding strategies to acquire new customers as well as to retain existing customers. One of the initiatives taken is Branchless Banking.

Branchless banking systems are becoming prevalent in the developing regions of the world as a mechanism to extend financial services to the economically deprived populations. Instead of setting up formal bank branches, these systems use a network of human agents to facilitate banking transactions, thereby reducing the cost of banking for people with small cash holdings. Today, over 50 million people in the developing world rely on branchless banking services to meet their financial needs and together they transact more than \$100 million on a daily basis.

Drivers of branchless banking

- The retail network, composed of the collection of retail outlets where transactions are originated
- The payment network, which aggregates the transactions from the collection of retail outlets and routes them to the appropriate issuer
- The account platform, which manages the service logic by authorizing individual transactions and maintaining the

value of accounts Each of these elements has very different economics, and each presents key tradeoffs that providers need to face. An understanding of the economic drivers helps establish the roles of the value chain and the types of partnerships that are most likely to achieve the necessary scale, and ensures that the service can be delivered at an end-to-end transaction cost that poor customers can afford.

Modes of Branchless Banking: Serving Customers Differently

Branchless Banking is a significantly cheaper alternative to conventional branch-based banking that allows financial institutions and other commercial actors to offer financial services outside traditional bank premises. Branchless Banking (BB) represents a significantly cheaper alternative to conventional branch-based banking that allows financial institutions and other commercial actors to offer financial services outside traditional bank premises. There are different models of branchless banking, as listed in Exhibit 1. Corp-Bank has a varied presence in each of these. It pioneered the Business Correspondent model and has a good presence in some of the others as well. We will now look at the different models and discuss the brand image each of those invokes.

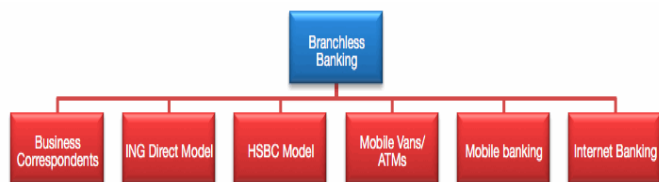


Exhibit 1. Different modes of Branchless Banking

ING Model (ING)

This model is based on the concept of pure branchless banking pioneered by ING. It has gained popularity in USA due to its hassle free banking service with higher rates of interests on deposits. Although this model lends a very tech savvy image to the bank, the concomitant lack of interaction between customers and bank officials makes it very impersonal.

HSBC Model (HSBC)

HSBC Direct services was launched by HSBC to expand its positioning from being just a premium player to one catering to the needs of the next rung customers as well. HSBC Direct services differed from the ING model in that it was backed by a brick-and-mortar framework that supported the bank’s online facilities. This model eliminates paper work significantly and hence caters to the need of those customers looking for a cheap and convenient bank. This model positions the bank as a convenience oriented and customer focussed player, thereby enhancing its brand image.

Mobile Banking (MB)

Mobile Banking is the term used to describe all banking services provided via mobile phones and SMS. Mobile Banking supports bill payments, money transfers, account

balance enquiry, etc. Presently, the Mobile Banking space in India is dominated by private sector banks. Mobile Banking lends a tech savvy and contemporary image to the bank. Absence of Mobile Banking may foster an image of outdated banking.

Mobile ATMs/Vans (MV)

Mobile ATMs or Mobile Van Banking is an augmented service provided by the banks to have ATM & banking facilities reach parts which are not covered by the bank’s ATMs. This service has been gaining popularity as a means of extending banking facilities to the rural population. It is also being used as a pilot programme by Indian banks like HDFC and ICICI to estimate demand in new areas. This model serves to enhance trust due to its postman-like regular coverage of a few locations and thus lends a “part of the family” image to the bank.

ATMs

In India, ATMs have a good presence in Tier I and Tier II cities. However, their reach in rural areas leaves a lot to be desired. By introducing more ATMs across the country, Corp-Bank can develop an image of being omnipresent. An ATM not only reduces withdrawal and deposit time, it also acts as a vestibule for providing other services like ticket booking, bill payment, etc. This gives the customer the desired level of convenience and enhances the image of the bank.

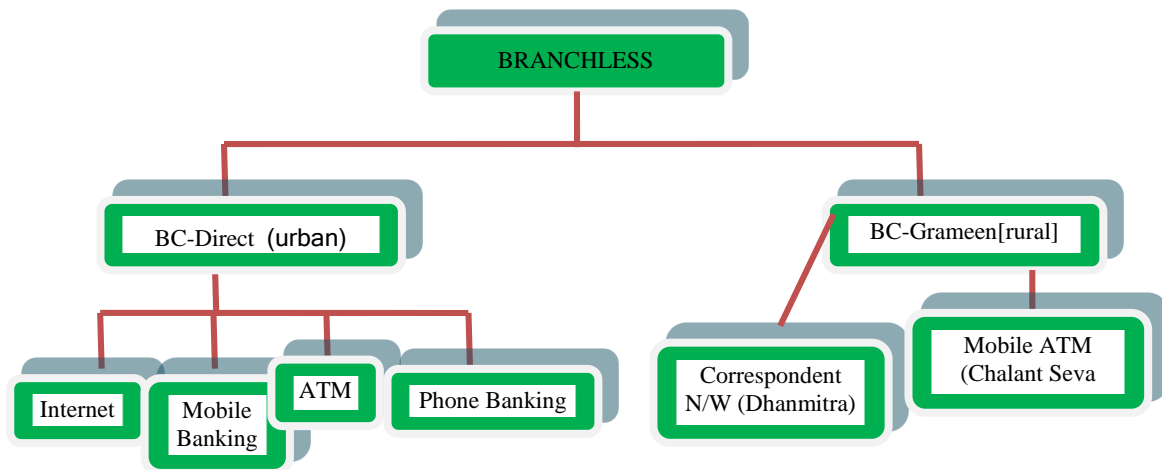
Business Correspondent Model (BC)

This model draws its distinction from the fact that every village has a bank representative called the business correspondent. The correspondent is authorized to offer small credit, and allow deposits and withdrawals from the accounts via communication systems like General Packet Radio Service (GPRS) and Public Switched Telephone Network (PSTN). This model augurs well with rural areas due to its simplicity and efficiency. It enables Corp-Bank to develop a very trustworthy image as it provides financial inclusion of remote places.

Each of the above models serve in lending a different brand image to the bank that uses them. Thus, it is essential to analyze the effect of their adoption on brand Corp-Bank. This analysis is performed by understanding the parent brand’s (Corp-Bank) effect on the child (Branchless Banking model) and vice versa.

Recommendations

The recommendation can be depicted in following figure. For the urban customers Banks should start an arm under the name BC-Direct which will have features like online banking, mobile banking, ATM, and phone-banking. This will help improve the image of the banks amongst the urban audience. To cater to the rural audience, Banks could rely mainly on the Business Correspondents and Mobile ATMs. BC-Grameen would be a viable model for financial inclusion. These two suggested methods will be good ways to reach the rural customers.



Pic. of the final recommendation

The HSBC model caters to a very premium convenience oriented segment. Banks can adopt this model in the major Tier 1 and Tier 2 cities. This model will also cover the mobile phone banking services where a margin can be charged per transaction. A new brand name like can be used and all operations can be carried out under this new brand. The Business Correspondent model is very essential to provide financial inclusion and reach out to the rural areas. The current brand name for rural services, BC-Grameen could be continued. This would sufficiently distinguish it from other another Bank operations. The Business Correspondents can be referred to as Dhan-Mitra meaning friends of the society. The Mobile Van model can be used initially as a pilot mechanism in small towns where the customer base is too large for the Business Correspondent model. This model should not be extensively used by Banks as a primary source of providing financial services. Chalanta-Seva is a befitting name for this model.

Conclusion

Financial inclusion mainly requires investment in Technology and R&D, profitable operations in rural areas with infrastructure support to the banks and effective implementation of Government sponsored programs. Therefore, the researchers believe that the rural banking has a long way to go and in order to achieve the inclusive growth in the country, there must be a strong support and co-operation from the Government, Bankers and the current/ potential Customers themselves. Indian banking have accelerated financial inclusion in India and must now work towards making its operations as an economically viable and profitable business for all stake holders by increasing the volume of business and services offered.

Economic viability and cost per transaction continues to be a key issue for Indian banks offering branchless banking for financial inclusion cost reduction can be achieved through innovative service delivery. Business correspondents can ensure reach of unbanked population to branchless banking facilities

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