

Branchless Banking: Corp Bank's Answer for Financial Inclusion

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The Divide, a Matter of Concern

India's economic growth story deserves accolades for a number of reasons. However, the lack of uniform geographical spread in the benefits of this growth leaving behind a large section of the population, notably those living in the rural areas, is a matter of concern to all. This has prompted policy makers and those involved in rural development, like banks, to pursue an 'inclusive path', which can rectify these imbalances at least to some extent. While

this is so, the forces of competition have thrown up viable options of market expansion into rural areas, by even private sector entities. The one-rupee shampoo sachets, fifty paise tea bags, edible oil packs, 'chota' recharge plans of mobile companies are all examples of a pursuit for the "fortune at the bottom of the pyramid".

Driven by an urge to participate in these efforts through a strategy for deepening and widening of very simple and basic financial services to be used by the poor and the disadvantaged in the rural areas, Corporation Bank has taken up an outreach programme through a combination of new delivery structures permitted under the regulations and the state of art computing and communication technologies, now primarily used in the urban and metropolitan centers.

Conduct of Village Surveys

The bank had engaged the services of local NGOs and college students to conduct a survey of the villages identified and to map the profile of the inhabitants of the village, their occupation and their economic status. The bank devised a detailed format and it facilitated capture of village

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information, profile of the family head and the family member details. The village information comprised of details such as, number of households in the village, the basic infrastructure of the village like Primary Health Centre, Veterinary Clinics, Agri-Business Clinics, etc.

The profile of the head of the family includes details such as, land ownership pattern, type of house (whether rented or owned), tiled or thatched or pucca house, number of family members, identification document held (ration card, election ID), etc.

The individual family member details includes their occupation, income and expenses, nature of relationship, sex, age, non-institutional borrowings, existing bank account details, willingness to open an account, interested activity, etc.

The village survey was conducted to include the people of the lowest strata of the society. These people are predominantly from the underprivileged sections of the society. To bring them to the banking fold involves reaching out to them at their doorstep, as they would be deprived of their livelihood for that day, if they were to come to the premises of the bank for fulfilling their banking needs. Further, they may not possess the Know Your Customers (KYC) documents prescribed for normal accounts and hence the regulator has prescribed relaxed KYC norms. These accounts typically involve high volume transactions of low value and hence require more manpower to service them.

Use of Information Technology

To reduce the pressure on our manpower at branches, we have automated the repetitive tasks and provided IT based solutions to the branches. Intervention of information technology is required not only for handling repetitive tasks at the branches but also for reducing the cost of operations and for increased efficiency. Transforming the manual data to an electronic format also helps in facilitating queries and reports both structured and random.

Initiation to Banking Habits

While conducting the survey the enumerator briefs the villagers on the benefit of savings habits and the facilities available in a bank. The survey was followed by opening of 'No-Frills' accounts called Corp Pragathi Accounts of

the family heads/adult members who do not have any bank accounts without any need to visit the branch. Though it was not necessary to provide any initial deposit, many of the new depositors preferred to credit small amounts

Beyond No-Frills Accounts

This survey is conducted by outside agencies and the details collected by them provide valuable information to the branch as to the number of individuals who intend availing a loan or other products offered by the bank. The manual survey sheets do not facilitate querying and hence, there was a felt need to automate these survey formats. While automating the survey formats, we have developed the software so as to enable capture of information at the survey site or to enter the details in a laptop/desktop from the manual forms. The survey captured:

i) Village Information : This information is captured only once for each of the village that is being surveyed and contains the basic information of the village including the number of households and the availability of infrastructure. Each village entered is allotted a number that is the branch code and a running serial number. This way each branch can be linked to multiple villages.

ii) Family Information: This information is captured once for each family and a unique family-ID is created. The family details enables capture of information that is common for the family like religion, caste, ration card particulars, extent of land owned, assets owned, etc.

iii) Family Members Information: This information is captured for all individuals of the family and links the family members to a family ID. The information captured includes details such as, existing bank account particulars, willingness to open an account, loans with money lenders, LIC policies owned, interested activity, etc.

Host of Advantages

The advantages of entering the details of the survey form on to a desktop or simputer are:

- a) Enables creation of a database
- b) Facilitates structured or adhoc querying and reporting

- c) Prevents loss or destruction of data
- d) Facilitates consolidation of data
- e) Serves as a single point of reference
- f) Enables access of information from anywhere
- g) Facilitates printing of account opening form
- h) Enables creation of a file for uploading the same to TBA/Core

On completion of the entry of survey forms, the system facilitates generation of Corp Pragathi (CPSB) Savings Bank Account opening forms along with the photograph of the users. This is printed only for family members who have expressed their desire to open an account with the bank.

The system also facilitates generation of data file for uploading to the Core Banking database. The system also provides an option to generate the Corp General Credit Card (CGCC) application-cum-sanction letter for those customers for whom the CGCC card has been issued. This would save time and effort for the branch users when they handle opening of large number of accounts.

The automation of survey data facilitated the branches to draw up a business plan and identify the credit needs of the village and enable them to engage in income generating economic activities and also to tap into the rural savings which otherwise were being squandered away in many cases.

Birth of an Idea Called 'Branchless Banking'

While conducting the survey, it was observed that many of the villagers were reluctant to come to the bank branches as it was far off from their residence or workplace and hence they need to spend money on commuting and time to carry out normal banking activities. Further, being semi-literate or illiterate, they found the procedures difficult to comprehend and follow. They were also not sure of the treatment that would be meted out to them when they come to the bank for remitting or withdrawing small sums of money.

To mitigate these hardships, the bank went in for a pioneering branchless banking model, which has become the benchmark for the banking industry to follow and many of the constraints expressed by the villagers

have been addressed. This required a whole team to evaluate, scrutinize different technologies ranging from Palm-Tops, Simputers, Hand Held Storage Devices and diverse communication channels such as PSTN, GPRS, Internet, WAN, WiMax, etc. The Reserve Bank of India guidelines on appointment of Business Correspondents were the major facilitating factor enabling the bank to take banking to remote rural areas.

What logically followed was an idea for a branchless banking model which the bank has implemented in the four southern states of Goa, Karnataka, Tamil Nadu and Andhra Pradesh.

Arrival of Branchless Banking

The bank has strived to take technology to the remote rural hinterland as a part of the financial inclusion initiative by introducing card-based authentication devices and by appointing Business Correspondents at identified villages. These Business Correspondents would virtually serve as extension counters at the villages by providing basic banking services to the rural folk without the concomitant huge costs associated with physically setting up of an extension counter/ branch or ATM. The device used by the bank has the following benefits:

- 1) Ruggedness/ sturdiness
- 2) Ease of operation
- 3) Secure/ fool-proof operations
- 4) Multiple connectivity options
- 5) Simple to deploy & easy to maintain

Challenges Easily Overcome

a) Establishing the Identity of the Customer:

Customers at rural locations find it difficult to produce an Identity like the PAN card, telephone bill, passport or similar such records and though the Reserve Bank has relaxed the Know Your Customer requirements for such customers, it was found difficult to obtain identification proof for individuals in villages. The survey conducted of all the village households has a wealth of information. Smart/ RFID cards bearing the photograph, name, father's/husband's name and address are issued to the customers which forms the basic identification for the customer.

b) Predominantly Illiterate Populace:

Customers in rural locations are predominantly illiterate and hence, the technology being introduced should be simple and easy to use by everyone. In the traditional banking channel, customers need to walk into a bank branch and they need to fill up relevant challans and cheques for depositing or withdrawing money. Invariably, they need to seek the assistance of others for carrying out such activities. This initiative of the bank would do away with such procedural hassles and the illiterate customers can visit the Business Correspondent and either remit or withdraw money without filling up forms or challans. The system also provides voice guidance to the users in the local language so as to facilitate the rural customers to understand the nature of transactions. In view of the high illiteracy and to reduce disputes, the customers are identified using their finger-prints rather than the signature and hence, there is no chance of non-repudiation.

c) Lack of Infrastructure : The major problem faced by us in the rural environment is the lack of basic infrastructure such as, stable continuous power, accessibility, reliable communication infrastructure, etc. To mitigate these problems, the device has built in redundancy for all these issues. The device comes with a lithium ion battery pack, which would supplement for 2-3 hours of power outage and the device has also been made more rugged whereby it can be connected to a car battery to facilitate continuous usage during long power outages. Similarly, communication links are also far less reliable and hence, the hand held device can be connected using the ordinary telephone lines, or through a GSM modem or through Internet depending upon the availability of such facilities.

d) Problems in Accessibility : Customers located in far-flung areas need to visit the branch for carrying out basic banking transactions. They need to spend money for transportation and also sacrifice their working hours in order to carry out their banking needs, which results in loss of wages. To alleviate these problems, a small hand-held device is installed in the premises of the Business Correspondent and the customers of that village can visit them at their convenience to carry out the cash deposit or cash withdrawal at their convenience. This would save them the transportation costs and also inculcate a

savings habit amongst the rural people which otherwise would have been squandered by them in wasteful expenditure.

e) Hesitation to Meet Officials: The customers at rural branches feel more comfortable in approaching a local resident for their small banking needs instead of visiting the bank premises. As they hail from the local hamlet, they find it simple and convenient.

Simple Technology

The device being used is indigenously fabricated and has four lines of display with a capacitive finger print scanner and uses RFID (Radio Frequency Identification) cards otherwise known as NFC (Near Field Communication) cards. The Business Correspondent card stores the photograph and the characteristics of the Business Correspondent and the customer cards contains the photograph and the basic KYC (Know Your Customer) details of the customer on the face of the card and the chip inside contains the account details of the customer with the finger-prints of different fingers of the customer. There is a day begin to synchronise and download the balance on to the card and the day end would enable the settlement and creation of data files which would be used for updating the balances in the account at the backend.

Benefits

1. Customer need not come to the branch for carrying out basic banking transactions such as, cash deposits, cash withdrawals, balance enquiry, mini statement, etc.
2. Saves travel time to the customer
3. Saves on cost of travel
4. Can use the time for his occupation or income generation
5. No constraints on time as the Business Correspondent can be accessed practically any time of the day
6. Need not feel diffident for remitting or withdrawing small amounts.
7. More comfortable with the Business Correspondent as he/she hails from the same village.



Dr. C. Rangrajan, Chariman, Prime Ministers Economic Advisory Council (3rd from left) and B. Sambamrthy, Chariman and Managing Director, Corporation Bank (3rd from right) during demonstration of Branchless Banking model

Advantages to the Business Correspondent

- 1) Alternate source of income
- 2) Recognition and visibility amongst the villagers

Advantages to the Bank

- 1) Viable business model to tap the rural savings and deploy credit
- 2) Increase in presence - ability to extend the reach of the bank to far flung areas
- 3) Capability to mop rural savings hitherto remaining in the houses to the bank
- 4) Ability to inculcate thrift and savings amongst the rural folk
- 5) Reduced work pressure at the counters
- 6) Lower Transaction cost

- 7) Reduced fraud as the transactions are handled in a secure manner
- 8) Transactions are handled by devices and hence greater accuracy and increased security
- 9) Increase the clientele base without concomitant increase in manpower or infrastructure at branches.
- 10) Greater comfort for the rural folk as they deal with their own person
- 11) The Business Correspondent would be able to identify the borrowers and assist in borrower identification, loan recovery, etc.

The Bank is aiming to extend the reach of the new structure both geographically and functionally to incorporate gradually, a host of services akin to those generally available in a small rural branch.