

A Study on Banking Service through Customer Service Point: An Innovative Approach Studied in Samastipur, Bihar

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Abstract

The research article based on field study carried out exclusively to get an idea about the implementation of the concept of Customer Service Point (CSP)/ Banking Correspondent which is a new concept as many villagers have been benefited by availing banking service at the door step through such service. The study was conducted at Samastipur district of Bihar in July 2019. The officials of JEEViKA were also present and they cooperated during the course of study so the authors extend their grateful thanks to them. Such model keeping in mind of socio-economic situation may be implemented in other parts of the country. Only suggestion is that concerned officials should sort out the issue of withdrawal and deposit as the study reveals withdrawal was more than deposit.

Keywords: Bank, Customer Service Point (CSP)/ Banking Correspondent, JEEViKA and Samastipur.

Introduction:

Rural banking was a great issue after the nationalised of major commercial banks and mandated them to focus their thrust in rural areas. Indira Gandhi nationalised private banks with a deposit base above Rs. 50 crore in 1969 “in order to ensure funding for the poor”. The official directive to public banks was not just about barefoot banking but was a directive to run into unfamiliar terrains to punch their flag posts. The expectations were that this would bring about both an economic and social revolution by arranging cheaper money into farms.

Sri Moin Qazi in his article on “The major challenges for rural banking” in the Asian Age (Apr 2, 2018) mentioned that “the ’80s saw an unplanned and indiscriminate expansion of

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bank branches most of which later became an economic deadweight. Between 1977 and 1990, the Reserve Bank of India mandated that a commercial bank could open a new branch in a location that already had bank branches, only if it opened four in locations with no branches. This regulation was part of a social banking programme that tried to expand access to financial services in rural areas. The additional burden arising out of the mass opening of rural bank branches adversely affected the resilience and viability of banks.

The branches mushroomed and there was an exponential increase of rural branches of banks. Villages began to be courted by bankers. These phenomena gave rise to a popular adage: “A village could be known as uninhabitable only if it did not have a branch of a bank.” Such was the explosion of rural banking. The depth and outreach of the banking network in the late '70s grew at a sizzling pace on account of tough government mandates. This was at a time when the transport and communication infrastructure in the country was abysmally weak, unlike today when mobile phones, email, SMS and Skype enable us to communicate anywhere anytime” (asianage.com/india). Anyhow in order to strengthen, rural banking as well as to extend service at the doorstep of the rural people, the State Bank of India (SBI) has initiated a process by appointing individual person as abbreviation known as 'CSP' and in full form known as Customer Service Point.

Customer Service Point (CSP):

- The State Bank of India (SBI) has initiated the concept of ‘CSP’ (Customer Service Point) for two reasons: It is a banking outlet run through outsourced agency for carrying out limited transactions and sourcing of business.
- Another one is customers can withdraw and deposit money at CSPs. There are around 30 types of transactions/business are carried out by CSPs.

In general Customer Service Point is a banking outlet run through outsourced agency for carrying out limited transactions and sourcing of business. *Jandhan* Accounts, tiny RD accounts, *Atal Pension Yojana*, *Pradhan Mantri* Insurance Schemes etc., are opened here. Customers can also withdraw and deposit money at CSPs, (google.com/customer+service+point).

Banking Financial Inclusion: Initiative by Reserve Bank of India:

Lack of access to basic financial services is still a major challenge in India as more than 65% of the population is classified as Under Banked or Unbanked. Recognizing this problem, the Reserve Bank of India (RBI) introduced a regulation in 2006 allowing banks to provide

service at people's doorstep through the use of third party services. This model is referred to as Business Correspondent/Banking correspondent in short BC's.

BC is a representative authorized to offer services such as cash transactions where the lender does not have a branch. Primary role of BC is to oversee the proper development and functioning of indirect banking channels. The business correspondents are subject to RBI regulations and would have direct contact with one or more financial institutions and they charge a commission from the bank for enrolment of clients, transactions, deposits etc.

Initially only 'not for profit' entities were allowed to become B.C's. However, later on RBI has eased the norms like inclusion for profit entities and interoperability of business correspondents, aimed at helping customers in rural areas access banking services such as cash deposits, withdrawals, remittances and balance enquiries from anywhere in the country on the lines of ATM facilities.

Banks have deployed as many as 1.95 lakh business correspondents (BCs) covering 2.21 lakh villages across the country as of March 31, 2013 which later on enhanced much of course with different designations. Benefits to customers include instant access to banking services at doorsteps; relaxed KYC norms for small accounts allow better possibility of opening bank accounts; lower costs and time required to access banking services (gomedici.com/banking-correspondent)

Micro ATM's - Use of technology along with banking correspondents can help bank to tap large unbanked sector effectively. Banks can use mobile and micro ATM's along with banking correspondent to deliver low cost banking solutions to unbanked customers. The Unique Identification Authority of India (UIDAI) would enable beneficiaries with *Aadhaar* to withdraw money near their doors through the core banking system.

The beneficiary has to put his finger and *Aadhaar* number in the micro ATM wireless device and get the money within 10 seconds from a business correspondent after verification about the beneficiary having that much amount deposited in the bank account shown through a receipt by the device.

Oxigen, FINO, A Little World, EKO, are some of the well-known BC's currently operating in India. Recently telecom companies such as Vodafone, Idea Cellular, Airtel, Vodafone; and consumer goods firms such as ITC, HUL who have large distribution channel and pan India presence have shown interest to become business correspondents for banks. Even the postal department which has about 1.55 lakh post offices over 90 per cent of which are in villages is

planning to install 135,000 micro-ATMs at post-offices across the country by September 2015.

Business Correspondent model is still in the developmental stages and there are expected to be some challenges associated with the model. Some of the key challenges include agent customer awareness, back office and seamless integration of banks and BC's. Since branchless banking is a service that is quite new in its use of technology, and also that it offers financial services for the first time to unbanked customers, customer awareness is required to educate and inform (*ibid*).

Field Situation:

To get an idea about the service provided by the Customer Service Point (CSP) persons, synonymous to BC, two women persons namely, Mrs *Jyotsna Dipan* (26 years/ B.Com pass) of *Rajkharampur* village of *Morwa* block and Mrs *Kanchan Kumari* (MA, B.Ed/ 27 years), *Gaupur* village of *Ujairpur* block were contacted in July 2019 in presence of local JEEViKA staffs. The data were collected from them by following Group Discussion as observed in Participatory Rural Appraisal popularly known as PRA. Before discussing the cases few lines about Samastipur district and JEEViKA are presented here.

Samastipur district is spread over to an area of 2904 square kilometres with its headquarters also known as Samastipur. The district had a total population of 42.62 lakh as per Census 2011. Of which, 22.30 lakh were male and 20.32 lakh were female. In 2011 there were total 835,493 households residing in Samastipur district. The Average Sex Ratio of Samastipur district was 911. Also as per Census 2011 out of total population, 3.5 per cent people lived in urban areas while 96.5 per cent lived in the rural areas. The average literacy rate was 61.86 per cent and male literacy and female literacy rates were 71.25 per cent and 51.51 per cent respectively indicating low female literacy rate. The Sex Ratio of urban areas in Samastipur district was 901 and in rural area was 911.

Samastipur district has 738 sub service areas of which 529 are covered by the bank branches / (Urban Sector Banks (USBs) / Business Correspondents (BCs) / Bank Customer Accounts (BCAs)/ Customer Service Points (CSPs). Banks have appointed about 700 CSPs/BCs in the district (here BCs include all sorts of individual banking service provider). They are utilised for opening of savings bank accounts and accepting deposits as per instructions. There is one Rural Self Employment Training Institute (RSETI) run by the Union Bank of India, the lead bank of the district. The Institute conducts several types of skill based training for rural youth and make them capable for self-employment.

Credit –Deposit (CD) ratio in the district as on 31 March 2018 was 53% which is low. The same for all India is 76.7 per cent. Financial literacy centre is being run by the Union Bank of India and Bihar *Gramin* Bank, (Potential Linked Credit Plan, 2019 – 20). For the benefit of readers, a table pertaining to Samastipur is presented here so that at a glance one can get an idea about the relevant data and also a comparative idea about 2001 and 2011 situation.

Table: 1 Population and Literacy data of Samastipur district

Table : Literacy rate as per 2011 Census		
Details	2011	2001
Male	2,230,003	1,760,692
Female	2,031,563	1,634,101
Population Growth	25.53%	25.63%
Area Sq. Km	2,904	2,904
Density/km2	1,467	1,169
Proportion to Bihar Population	4.09%	4.09%
Sex Ratio (Per 1000)	911	928
Child Sex Ratio (0-6 Age)	923	938
Average Literacy	61.86	45.13
Male Literacy	71.25	57.59
Female Literacy	51.51	31.67
Total Child Population (0-6 Age)	797,381	711,168
Male Population (0-6 Age)	414,586	366,978
Female Population (0-6 Age)	382,795	344,190
Literates	2,142,880	1,211,152
Male Literates	1,293,575	802,593
Female Literates	849,305	408,559
Child Proportion (0-6 Age)	18.71%	20.95%
Boys Proportion (0-6 Age)	18.59%	20.84%
Girls Proportion (0-6 Age)	18.84%	21.06%
Actual Population	4,261,566	3,394,793
Source: samastipur.nic.in/demography/27 May 2019		

About JEEViKA: In 2006, when the Bihar Rural Livelihoods Project was jointly launched by the World Bank and the Bihar Government, the state's rural poverty ratio was 44.6 per cent. In absolute number people living in poverty was at 36 million, out of 82 million population of Bihar. Rural Bihar was characterised by weak service delivery, complex political and social dynamics, limited inclusion of the poor into institutions, few economic opportunities, and a frail development infrastructure. The Bihar Rural Livelihoods Project reasoned that with greater social capital—gained from women joining self-help groups—the

poor would have a greater say in the quality of services they received. In turn, they would pressure local government to be more responsible and accountable to their needs. The Government of Bihar intended to halve its below poverty-line population by 2015. To contribute to this objective, the Bihar Rural Livelihoods Project— popularly known as *JEEViKA*—was designed and launched. Presently, it is an internationally recognised model for women's economic and social empowerment in the context of social-and political change. The development objective of Bihar Rural Livelihood Project is to enhance social and economic empowerment of the rural poor in Bihar (World Bank, *JEEViKA*, 2017).

Customer Service Point: Cases

Case 1: Mrs *Jyotsna* is a CSP of *Rajkharampur* village of *Morwa* block and relevant data were collected from her. She informed that she had taken on rent a room measuring 12 x 10 feet by paying monthly rent of Rs.600.00 and started the activity from June 2017. As per *JEEViKA* norm necessary equipment and machines were provided to her. It has already been mentioned that, as per *JEEViKA's* norm, *JEEViKA* paid her Rs.35, 000.00 for doing the business. Out of this amount, *JEEViKA* through Village Organisation (VO) paid as loan a sum of Rs.10, 000.00 which after earning of income has to be refunded to VO. In addition, Rs.20, 000.00 paid for machine etc. (as grant) and Rs.5000.00 for furniture as one time grant. She further informed that every day in between 70 and 80 persons visit for business transaction and all the days it has to be opened from 10 A.M. to 5 P.M.

To a query about deposit and withdrawal, she informed that monthly deposit was hovering around Rs.1 lakh and withdrawal was in between Rs.60 and Rs. 65 lakh (persons who wish to withdraw should have money in their bank account). According to her, withdrawals are always more. Her husband has two ATM cards and whenever requires he visits the bank/ATM counter and withdraws the extra amount. If by chance money is surplus then her husband deposits in nearby SBI. If more money is required then her husband withdraws from ATM counter or from bank located nearby. *JEEViKA* officials informed that as per MoU if any CSP wish to withdraw more money than her deposit (for distribution) then up to certain limit CSP can withdraw money from the bank.

As commission she gets, on withdrawal or deposit, minimum is Rs.2 (up to Rs.1000) and maximum is Rs.10 exceeding Rs.1000. According to her monthly income was around Rs.15, 000.00 by staying in the office room from 10 A.M. to 5 P.M. and all the seven days open. Her husband was also earning income by managing a mobile shop (just adjacent to her office room), which was around Rs. 8000.00 per month.

Case2: Mrs *Kanchan Kumar* (MA & B.Ed./ 27 years) was selected as CSP and started her activity from January 2018 in an adjacent room of their own residential house, so she *need* not pay any rent. Mrs *Kanchan* informed that she was provided all the facilities by *JEEViKA* like Mrs *Jyotsna Dipan* which the authors have observed. When visited to her office room, it was observed that size of the room was 12 x 10 feet. She informed that sometimes her withdrawal in a month was to the tune of Rs.35 lakh against the deposit only Rs.60, 000.00 such event creates problem to her. In spite of all these odds, she was earning on an average monthly Rs.12, 000.00 which is in addition to their husband's income. Her husband after completion his post-graduation and was earning as agent of Life Insurance Corporation of India (LIC).

Conclusion: It is evident from the study that with the concept of Customer Service Point/ Banking Correspondent many villagers have been benefited as they could avail the banking service at the door step. Such model keeping in mind of socio-economic situation may be implemented other parts of the country. Only suggestion is that concerned officials should sort out the issue of withdrawals which is more than deposits.

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