EXECUTIVE SUMMARY

Introduction:

The boom in the IT and ITes sector made Bangalore city an attractive career hub which has been drawing many migrants to the city from both urban and rural neighborhoods for over a decade now. This led to a paradigm shift in the income scenario of the pensioner's paradise. The current statistics show that over 50% of residents of Bangalore fall in middle and low income groups (as per National Council for Applied Economic Research's annual income of Rs.3.4 lakhs to Rs.17 lakhs at 2009-10 price levels falls in the middle class category, income less than Rs. 3.4 lakhs fall in the lower income category) whose meagre earnings may or may not generate dwarf savings due to inflating cost of living in this city.

Syndicate Bank pioneered the Pigmy Deposit scheme in the year 1928 and enhanced the scheme further in 2007 to inculcate saving habits and to mobilize such savings to meet their bigger future cash requirements of the depositors. Canara bank, HCBL Co-operative banks and many credit societies have introduced this scheme too in various parts of the country. Though this scheme began in South Kanara but it was functioning well in Bangalore where a large number of manufacturers, retail traders, professional & self-employed persons, artisans and those engaged in making handicrafts, village / cottage industries & other non-farm income generating activities, daily wage earners, farmers, small traders and households benefited from this scheme. The unique feature about this scheme was that funds were collected from the door step of the depositor on a daily basis which eliminated short comings of commuting to the bank and lack of funds at the end of the month. This also contributed to emergence of Pigmy agents who collected funds on behalf of the banks from the door step of the depositors for a commission.

However, this scheme was not advertised on a large scale and many bankers found this unprofitable due to the size of the funds collected. Eventually this scheme did not reach many beneficiaries who could have been a part of it. "*Thus this research project looks into the possibility of using this Micro investment technique for encouraging savings and employment enhancement in Bangalore city*.

Research Methodology:

a. Objectives of the study:

1. To study the existing daily collection schemes floated by banks.
2. To study the possibility of creation of additional jobs through pigmy agents
3. To study the quantum (quantity) of funds mobilised through pigmy agents
4. To offer suitable suggestions based on the research study

b. Review of Literature:

The study reviewed 12 related literatures primarily from news paper articles, national and international journals.

c. Methodology:

The study is exploratory in nature as not much previous studies have been conducted in this area of pigmy banking. This has been evidenced by the review of literature done by the researchers. The researchers have used primary and secondary data. The required data has been sourced through questionnaire method from across Bangalore city. 100 questionnaires were circulated among pigmy scheme account holders, another 100 questionnaires were administered among pigmy scheme agents out of which only 67 questionnaires were used for this research. Banks having this scheme were contacted and information was collected through interview method. The data was tabulated using percentages and frequency distribution and the data was presented in the form of simple analytical tables for ease of analysis. MS EXCEL was used for all the tabulations.

Outcome of the study:

- Most banks have been providing services for pigmy deposit for more than 30 years and many have also introduced the scheme since the last 5-10 years.
- Banks open nearly 10-20 accounts on a daily basis.
- They have a minimum of five agents who participate in daily collection and are remunerated on a monthly basis.
- The agents claim to be collecting anywhere between Rs. 100 to Rs. 500 periodically from each account holder in the area allotted to them.

- Few banks were found to be winding up the scheme or opposed to opening new accounts due to difficulty in managing the agents and irregularities in payments.
- It was found that several banks suffer from tackling ethical issues with agents appointed by them.
- Agents are hired on both full time and part time basis with basic academic background thus opening immense opportunities for youth, homemakers and others who wish to substitute their existing incomes or earn additional income.
- Some agents also claim that even though it may not provide a lot of employment benefits, being an agent is a good source of employment opportunity if only such benefits had been revised while the rest feel that it is a good area to work as a part timer.

Conclusion:

Banks find that providing such services need maintenance which need investment and such investments generally needs to yield some sort of benefits or profits to the bank. But due to the irregularities in payment and cost incurred when it comes to remunerating agents and respective individuals involved in maintaining such pigmy accounts, the bank hardly gains anything which in turn effects the agents' remunerations and interest rates that can be offered to the customer itself. In spite of such draw backs, we see that the customers find such a scheme very useful and the number of users of the scheme increase from day to day. Considering this fact the scheme needs to be altered as mentioned in suggestions above and further studies need to be made on improving the scheme. To conclude, on observation and information and opinions received from banks, the scheme targets mostly petty shopkeepers even though it is open for all, so if such and outlook is changed then collections can be improved and eventually enable steady functioning of the scheme.

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