

Scheme for Financial Inclusion by Extension of Banking Service through Business Facilitators and Business Correspondents

1. Objective :

- Twin objective of ensuring greater financial inclusion and increasing the outreach of the Bank
- To provide comprehensive financial services to the underprivileged encompassing savings, credit, remittance, insurance, Mutual Funds and pension products in a cost effective manner, particularly in untapped / unbanked areas.
- To improve process efficiencies and reduce transaction costs by providing linkages between the existing network of our Branches and the informal and formal agencies engaged with the poor, by adopting technology based solutions.
- To leverage on the strengths of intermediaries in accelerating the process of financial inclusion.

2. Business Facilitator Model :

(a) Eligible Entities :

- NGOs
- SHGs
- Farmer's Clubs
- Functional Cooperatives
- Community based organizations
- I.T. enabled rural outlets of corporate entities
- Well functioning Panchayats
- Rural Multipurpose kiosks / Village Knowledge Centers
- Agri Clinics / Agri Business Centers
- Krishi Vigyan Kendras
- KVIC / KVIB units
- Post Offices
- Insurance agents
- Social organizations
- Individuals such as retired Post Masters and retired School/College Teachers
- Individuals such as auto dealers and FMCG stockists, postal agents, insurance agents of private insurance companies (IRDA certified)
- Retired Govt. employees, Ex-servicemen and retired Bank employees

Common Services Centres (CSCs) established by Service Centre Agencies (SCAs) under the National e-Governance Plan (NeGP).

- Bank employees who have retired on superannuation alone will be eligible.
- AMFI Certificate holders
- Primary Agricultural Societies (PACs)
- Individual Kirana/medical/fair price shop owners
- Individual Public Call Office Operators (PCO)
- Agents of small savings schemes of Govt. of India/insurance companies
- Individual who own petrol pumps.
- Any other entity, as may be specified by RBI from time to time.

It would be desirable to identify such entities which have presence and activity throughout the Circle/State.

(b) Selection Criteria :

- Should know the local language/dialect.
- Should satisfy the norms of due diligence as laid down
- Should have knowledge about the area
- Should not be affiliated to any political organization
- Should have been referred by at least two persons known to the Bank and having satisfactory dealings with the Bank.
- Should have a satisfactory track record of at least two years (organization).
- The organization / office bearers / members should not have any criminal record (Police verification must be arranged conducted in respect of each applicant found suitable).
- Past dealings, if any, with the Bank should have been satisfactory.
- Should not be a Director or officer/employee of the Bank or a relative having the same meaning under Section 6 of the Companies Act 1956, in the case of individuals and in the case of entities, be owned or controlled by such person(s).
- Wherever felt necessary suitable sworn affidavit may be obtained.

(c) Activities :

- Conducting only non-financial business activities i.e., no cash transactions/handling
- Identification of potential customers and activities
- Collection and preliminary processing of loan applications / account opening forms for deposits including verification of primary information / data
- Filling of loan applications / account opening forms including nomination clause and submission to the Bank.

- Cross-selling of other financial products like insurance / mutual fund products / pension products / any other third party product
- Assisting in post-sanction monitoring and follow-up for recovery (only after complying with RBI instructions on recovery agents)
- Promoting and nurturing Self Help Groups (SHGs) / Joint Liability Groups (JLGs), wherever relevant.
- Creating awareness about savings and other products and education and advice on managing money and debt counseling.
- As the entire objective of permitting bank to use Business Facilitator/Correspondent model is to extend savings and loan facilities to the underprivileged and unbanked population, these models should not be utilized for collecting NRE/NR(O)/FCNR(B) deposits which are generally of a large value.

3. Business Correspondent Model

(a) Eligible Entities :

- NGOs / MFIs set up under the Indian Societies / Trust Acts
- Societies registered under Mutually Aided Cooperative Societies (MACS) Act or the Cooperative Societies Acts of States
- Banks can engage companies registered under section 25 of the Companies Act 1956 as Business Correspondents (BCs) provided that the Section 25 companies in which NBFCs, banks, telecom companies and other corporate entities or their holding companies do not have equity holdings in excess of 10%.
- Post Offices
- Retired Government and Bank Employees, Ex-servicemen
- Individual kirana/medical/fair price shop owners
- Individual Public Call Office Operators (PCO)
- Agents of small savings schemes of Govt. of India/insurance companies
- Individual who own petro pumps
- Retired Teachers
- Authorised functionaries of well run SHGs linked to Bank

b) Selection criteria :

In addition to the selection criteria prescribed for Business Facilitators, the under noted aspects would be considered while selecting Business Correspondents:-

- Should satisfy the norms of due diligence as laid down.

- They should be well established, enjoy good reputation and stature and have the confidence of the local people.
- They should have significant rural / semi-urban presence.
- The entity should have a satisfactory track record and should be able to generate the funds required for this service.
- Should not be owned or controlled by any Director or officer/employee of the bank or a relative having the same meaning under section 6 of the Companies act, 1956.
- Ability to invest in POS devices and other equipment.
- Ability to retain the required cash balance at Point of Sale and the balance in the Current account on continuous basis.
- The proposed individual BC should be a permanent resident of the area in which they propose to operate as required by RBI. A minimum educational qualification of Xth pass is stipulated.
- In case duly appointed BCs of the Banks, desire to appoint sub-agents at the grass root level to render the services of a BC, it is to be ensured that-
 - a) The sub agents of BCs fulfill all relevant criteria stipulated for BC in terms of the extant guidelines
 - b) The BC appointed carries out proper due diligence in respect of sub agents to take care of the reputational and other risks involved.
 - c) The distance criteria of 30 kms, as applicable from the base to branch in rural and semi urban centers should invariably be fulfilled in case of all sub agents.
- Where individuals under permitted categories have been appointed as BCs, they cannot in turn appoint sub agents.
- The entity should have a satisfactory track record and should be able to generate the funds required for this service.
- Preference should be given to well regulated entities.

(c) Activities :

In addition to the activities listed under the Business Facilitators Model, the scope of activities to be undertaken by the Business Correspondents will include:

- Opening of no frill deposit accounts and other products as permitted from time to time by leveraging technology.
- Collection and payment of small value deposits and withdrawals (not exceeding Rs.10,000/- in each case)
- Receipt and delivery of small value remittances / other payment instruments (not exceeding Rs.10,000/-in each case)
- In respect of all such transactions, the BC/his agent will be authorized to accept / deliver cash either at his place of work or at any convenient location subject to the ceilings per customer(Rs 10000/- in each case).
- Furnishing of mini account statements and other account information
- Recovery of principal / collection of interest in respect of borrower accounts. For recovery only after complying with RBI instructions on recovery agents..
- Any other service on behalf of the Bank, duly authorized by the appropriate authority.
- The activities to be undertaken by the Business Correspondents would be within the normal course of the Bank's banking business, but conducted through and by the entities at places other than the Bank's premises.
- In respect of all such transactions, the BC/his agent will be authorized to accept / deliver cash either at his place of work or at any convenient location subject to the ceilings per day / per customer as laid down. The Business Correspondents / Business Facilitators will be linked to a nearby branch (Link Branch)..
- As the entire objective of permitting bank to use Business Facilitator/Correspondent model is to extend savings and loan facilities to the underprivileged and unbanked population, these models should not be utilized for collecting NRE/NR(O)/FCNR(B) deposits which are generally of a large value.

5. Security Deposit :

Suitable amount of Security Deposit or Bank Guarantee in lieu thereof will be obtained depending on the category and business volumes