



Making Business Correspondents Viable and The National Mission Financial Inclusion Achievable

Presentation to Governor, RBI

26th August 2014

Agenda



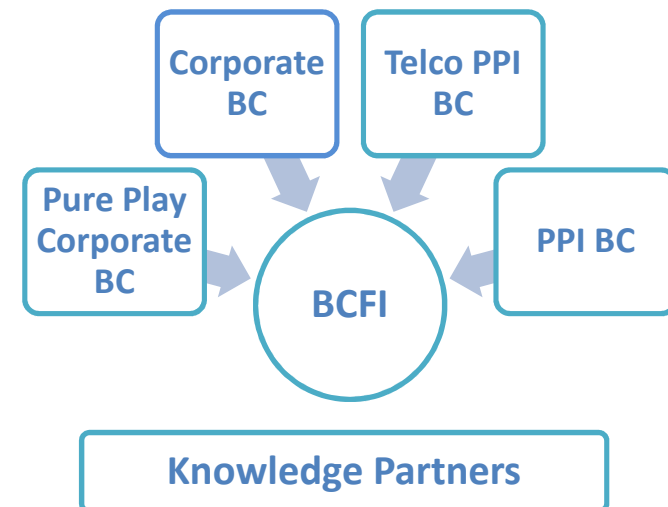
- **About BCFI**
- **Key Successes & Challenges**
- **Suggestions:** Making BCs viable & the National FI Mission achievable
 - Ensuring **Sustainability:** Making business sense
 - Ensuring **Stability:** Standardizing the architecture
 - Ensuring **Accountability:** Defining matrix for monitoring performance
- **Open Discussion & Feedback**

About BCFI

- Not-for-Profit Section 25 Company
- **Objectives:**
 - Formally represent all sections of BCs as a Self-Regulating Organization (SRO)
 - Provide a single point of interface between BCs and GOI, RBI, IBA and other key stakeholders
 - Submit positions and be part of formal discussions and consultative process on policy, regulations and business drivers
 - Brainstorm on the Key Industry Indices
 - Recommend Key Economic & Pricing matters
 - Work on sustainable BC viability and growth



Comprehensive Representation



Key Successes & Challenges



- **Key Successes**

- **Scalability:**

- 81 mn BSBD accounts opened by BCs till March'13
 - 490 mn TXNs on these accounts between 2010-13

- **Low cost:** “India ready” technology at core

- **Products that found tremendous traction:**

- Electronic & Direct Benefit Transfers
 - BC led Domestic Remittances
 - BC led Microfinance

- **Key Challenges**

- **Perception:** FI still being looked from cost-of-compliance angle

- **Staying invested in CSPs** having high gestation period

- **Stability:** required in direction of FI

- **Significant investment** desired in financial literacy for masses

- **Lack of clear matrices** for indicating performance of key industry stakeholders



SUGGESTIONS:

Making BC Viable & The National FI Mission Achievable

Ensuring **Sustainability**: Making business sense

Ensuring **Stability**: Standardizing the architecture

Ensuring **Accountability**: Defining matrix for monitoring performance

Ensuring Sustainability: Making Business Sense



- Staying invested in Financial Inclusion would require:
 - Change bank mindset from compliance to business model
- Device innovative BC operating & payout models
 - Ensure **viability** through products & services
 - **Incentivize**: Agent is key to delivery. He needs to see value
 - **Charge customers**: Fee based services
 - Enable BC **product & pricing freedom**
 - **Make BC as White Label BC**: Interoperability similar to ATM would help citizens & FI
- Standardize compensation for DBT @ 3.14%
 - Nandan Nilekani led task force report, 2012, Nachiket Mor led committee report, 2013
- Can explore mandatory telecom type USO fund to cross-subsidize FI accounts

Ensuring **Stability**: Standardizing the Architecture



- FI requires **focused approach** on long term basis
 - Common RFP (FY13), got scrapped
 - Lack of clarity on UID for authentication (interoperability)
- Success stories: **stable architecture**
 - RSBY enrolments
 - UID enrolments
- **Close coordination** required between GOI-DFS, RBI, banks and BCFI
- **Awareness & Financial Literacy** needs to be attempted in concentrated manner:
 - Agent should be enabled to carry out basic awareness
 - ATL, BTL activities required on scale of credit-cards, mutual funds
 - Part of school textbook curriculum

Ensuring **Accountability**: Performance Matrix



- Much needed **framework** for determining accountability
 - Of all stakeholders (banks, BCs)
 - On defined parameters
 - With clear pain-gain ratio

- FI needs to be **monitored** like PSL department
 - Will ensure support from local branches

- More **participatory approach** required:
 - SLBC's should recognize BC as an important stakeholder
 - BC participation in meetings and strategy discussions



Thank you

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