



**Making Business Correspondents Viable and
The PM Jan-Dhan Yojana &
National Financial Inclusion Mission Achievable**

Presentation to Government of India - DFS

05th September 2014

Agenda



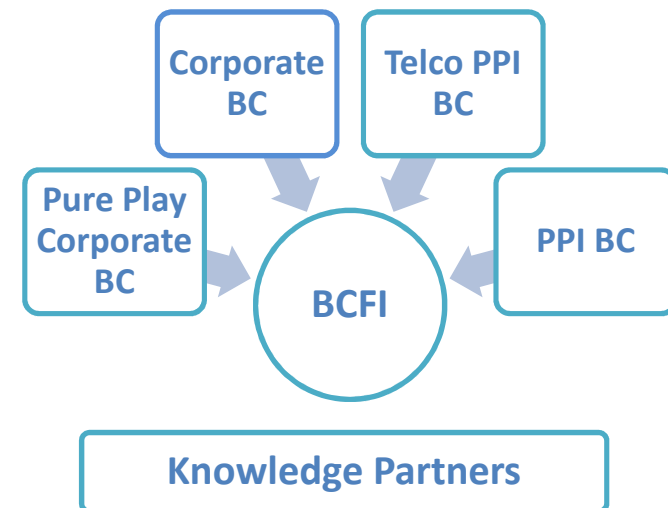
- **About BCFI**
- **Key Successes & Challenges**
- **Concerns expressed on BCs**
- **Role of BCs in making the PMJDY & National Financial Inclusion Mission**
- **Suggestions:** Making BCs viable
 - Ensuring **Sustainability**: Making business sense
 - Ensuring **Stability**: Standardizing the architecture
 - Ensuring **Accountability**: Defining matrix for monitoring performance
- **Discussion, Feedback & Next Steps**

About BCFI

- Not for Profit 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

Concerns Expressed on BCs



- **Difference in Pricing of Corporate and Individual BCs**
 - Components over and above just salary
 - Corporate managed services involve:
 - Cost of inventory, insurance, logistics, CMS, technology development
 - Cost of ensuring hygiene: field supervision, backend monitoring, tele-calling
- **BCs Not Getting Paid Adequately**
 - BC salary (**must be linked to Minimum Wages**) is a part of what bank pays the BCNM
 - Deductions necessary to meet costs mentioned above
 - BC in “good geographies” are earning fairly well
 - “Poor geographies” have longer gestation period for developing customer base

Concerns Expressed on BCs



- **Accounts Opened by BCs Lying Dormant**
 - Poor selection of customers
 - Low investment in financial literacy for TG
 - DBT through FI accounts is sure-shot way of inculcating banking habit
 - Provision of small overdraft amount on FI accounts
- **BCs not Visible**
 - Issue endemic primarily to individual BCs
 - BCNM type stringent monitoring required
 - Improve visibility of mobile BCs by putting up signage
- **Cash Losses in Field Operations**
 - Realities of field operations
 - Borne by BCNM, insurance
 - Controlled by robust processes, monitoring and technology

BCs Role in PMJDY & National FI Mission



Acquisition

- In **unbanked/underbanked geographies**
- Can help propagate **financial literacy**
- Experience in camp mode (7.5-cr accounts)
- De-duplication Technology: eAuth
- **Delivery** of RuPay card

Servicing

- **Geographical penetration:** Experience in servicing tier 5, 6 locations
- **Retailers of financial services** (insurance, pensions etc.)
- **Extended arm** of bank branches & **as mobile ATMs**
- Lower cost per transaction



SUGGESTIONS:
**Making BC Viable &
The PMJDY &
National Financial Inclusion 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
- **Devise innovative BC operating & payout models**
 - Ensure **viability** through products & services
 - **Incentivize:** Agent is key to delivery. He needs to see value. The Agent's salary must be linked to **Minimum Wages**
 - **Charge customers:** Fee based services
 - Enable BC **product & pricing freedom**
 - **Make BC as White Label BC:** Interoperability similar to ATM would help citizens & FI
 - The cash with BC should be construed as **CRR**
 - **Banks should fund Cash Management/Working Capital requirement by way of 0% loans** to BCs
 - **Exemption from Service Tax** on input & output
- **Suggestions on DBT**
 - DBT has potential to become anchor product, to ensure basic sustenance of agents
 - **Standardize compensation for DBT @ 3.14%** as suggested by Nandan Nilekani & Nachiket Mor led committee
 - **Standardize division of compensation** between banks & BCs (10:90 split)
- **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
- **Uniform BC branding / communication to build customer trust in the category**

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 of banks**
 - Will ensure support from local branches
 - More focus on increasing transactions on dormant accounts
- **More participatory approach required:**
 - SLBC's should recognize BC as an important stakeholder
 - BC participation in meetings and strategy discussions
 - Banks should avoid unilateral pricing decisions – sometimes rendering key BC services unviable



Thank you

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