



Mission, Activities & Outlook

Regulatory & SRO Affairs Committee

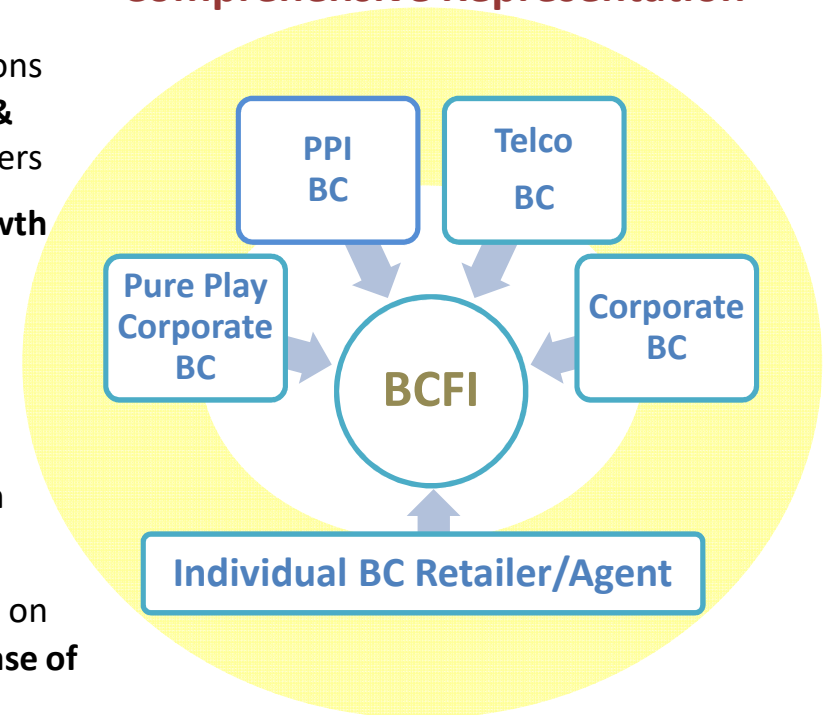
September 26, 2014

Mission

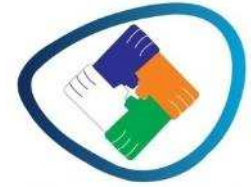
- **UNIFIED VOICE:** Represent the **full spectrum of BCs** and particularly the **individual BC retailers/agents**
- **FORCEFUL VOICE:** Formulate positions / recommendations on **key industry indices**, and formally be **part of discussions & consultative process** on **policy, regulations** and business drivers
- **STRONG VOICE:** Work on **sustainable BC viability & growth** by recommending **key economic & pricing matters** based on empirical data
- **RESPECTED VOICE:** Provide a **single point of interface** between BCs and GOI, RBI, IBA and other key stakeholders
- **REGULATED VOICE:** Act as **Self-Regulating Organization (SRO)**
- **TRUSTED VOICE:** Build **quality to service** and **trust**, work on BC retailer/agent **training, certification, branding** and **database of blacklisted** retailers/agents and employees



Comprehensive Representation

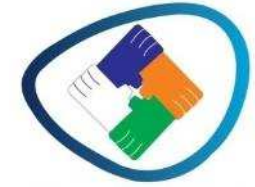


Activities



- Formulated and submitted **Memorandum of Requirements to Make BCs Viable and The National Financial Inclusion Mission Achievable**
- Formulated and submitted **Application to RBI for Recognition as Self-Regulating Organization (SRO)**
- **Met RBI – August 26, 2014**
- **Comments to RBI on Payments Banks Draft Guidelines – August 28, 2014**
- **Met DFS – September 5, 2014**

PMJDY & National FI Mission: Role



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

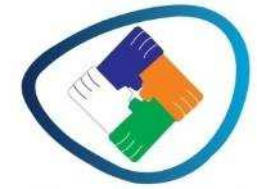
- **Geographical penetration:** Experience in servicing tier 5, 6 locations
- **Retailers of financial services** (insurance, pensions etc.)
- **Extended arm** of bank branches & **as mobile ATMs**
- Lower cost per transaction



Memorandum of Requirements: DFS & RBI



- Be Integral Part of **Bank's Business Plan**
- Be Part of **Bank's Key Performance Indicators**
- BC Business to **Be Reflected in Bank's Balance Sheet**
- Making BC as **White Label BCs**
- Streamline the **Commission/Transaction/Incentive Fee** Mechanism
- **Banks should fund Cash Management/Working Capital** Requirement @ 0%
- **Exemption from Service Tax**
- **Route DBT & Government Benefits** (Centre & States) Through BCs
- Enable **Product & Pricing Freedom**
- Formulation of **Standard Guidelines**
- Let **BCs Choose Technology**
- **Customer Awareness & Protection**
- Allow **self-regulation** Through Self-Regulating Organization (SRO)
- Recognize BCs as **Retailers of Financial Services**



SUGGESTIONS TO GOI-DFS & RBI

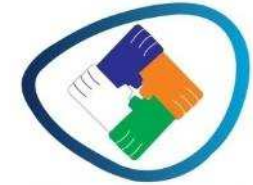
Making BC Viable & The PMJDY & National Financial Inclusion Mission Achievable

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**: Retailer/agent needs to see value. His salary 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 & Mor committees
 - **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, 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

RBI Meeting



- **WHOM:** Dr Raghuram G. Rajan, Governor
- **WHEN:** August 26, 2014
- **WHERE:** RBI Central Office, Mumbai
- **WHO:**
 - Anand Shrivastav - (CMD, Beam) – Chairman Regulatory Committee
 - Rishi Gupta - (COO, Fino) – Chairman Economic Committee
 - Abhishek Sinha - (CEO, Eko) – Chairman Membership
 - Suresh Sethi – (Head-MPesa, Vodafone) – Member Regulatory Committee
- **WHAT:**
 - Presented and held discussions on **Memorandum of Requirements** to Make BCs Viable and The National Financial Inclusion Mission Achievable
 - Presented and held discussions on **Application for Recognition as SRO** by RBI



RBI Meeting (2)



- Governor was **seemingly interested** and gave a patient and sympathetic hearing.
- Was **concerned on the viability** of the BC sector.
- Had **specific questions** on how **white label BC** can achieve its sustainability without lack of an anchor bank.
- He also had **views on KYC implementation** – eKYC and authentication via biometric, OTP etc.
- **Critical points finding resonance:**
 - Need for banks to **make BCs an integral part of their business plan, key indicators and balance sheet reporting**; including long term/ strategic alignment.
 - Providing more avenues for business creation at last mile service point through **ability to provide full service suite to multiple banks.**
 - Ability to **let BCs define own product and pricing.**
 - **Economic viability and timely payment** of acquisition cost and transaction fee.
 - Need to be **treated as retailers of financial services.**
 - Recognition as **SRO.**

Outlook RBI Meeting (3)



*“The **most appropriate government** for the financial sector is **not necessarily a passive one** ... at the minimum, the government has to enforce private contracts. **But often, it may be called upon to do more**”* Raghuram Rajan, *Savings Capitalism from the Capitalists*

Called upon Governor **to do more** for the BCs.

- **WHAT'S NEXT:**
 - Governor **offered to facilitate a joint meeting** of BCFI with the banks under RBI's aegis - to review the **BC memorandum** and work towards desired outcomes.
 - Governor also indicated to get BCFI's **application for SRO processed**.

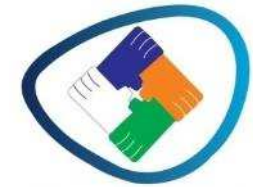
DFS Meeting



- **WHOM:** Anurag Jain, IAS, Joint Secretary (DFS)
- **WHEN:** September 5, 2014
- **WHERE:** DFS Office, New Delhi
- **WHO:**
 - Anand Shrivastav - (CMD, Beam) – Chairman Regulatory Committee
 - Rishi Gupta - (COO, Fino) – Chairman Economic Committee
 - Paresh Rajde – (CMD, Suvidhaa) – Member Regulatory Committee
 - Pawan Bakhshi - (AD, Microsave) – Invitee
- **WHAT:**
 - Presented and held discussions on **Memorandum of Requirements** to Make BCs Viable and The National Financial Inclusion Mission Achievable
 - Requested **DFS’ recommendation to RBI** to expedite BCFI’s Application for **Recognition as SRO**

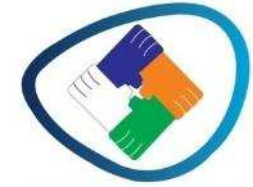


DFS Meeting (2)



- JS gave a sympathetic hearing and informed that BCFI has already been **included in the Strategic Group of DFS**.
- Being very knowledgeable & hands-on went **straight into the crux i.e. economic matters**.
- Had **specific questions on the viability** of the BC sector.
- Was aware of the **technology heterogeneity**.
- Indicated that BC retailers/outlets in addition to BCFI logo, to **take advantage of the ad campaign** and be also **branded with Jan-Dhan logo** for ease in recognition by customers.
- Had questions on **spreading financial literacy** through BC retailers/agents.
- **Critical points finding resonance:**
 - Need for banks to **make BCs an integral part of their business plan and balance sheet reporting**.
 - Providing more business **by way of White Label BC**.
 - **Economic viability and timely payment** of acquisition cost and transaction fee.
 - **Easy Recognition of BC Point:** BCs to undertake putting up standardized branding and signage (BCFI + Jan-Dhan) for easy identification by customers.

DFS Meeting (3)



- **Customer Trust & Quality of Service:** BCs to undertake training, testing and certification of BC retailer/agent prior to activation (akin to IRDA certification of insurance agents).
- **Customer Protection:** to put up a database of blacklisted BC retailers/agents and employees on BCFI website for sharing with members and weed out undesirable ones.
- **WHAT'S NEXT:**
 - JS asked to **submit research whether Rs 5,000/BC/month will work** for all types of BCs (direct, corporate, etc.) and **recommend** on the basis of activities **what should be viable monthly amount** to cover BCs and BC retailers/agents.
 - JS asked to **submit recommendations on a viable customer acquisition cost.**
 - JS asked to **submit recommendations on how the (2% or 3.14%) transaction fee** be shared between banks, BCs and BC retailers/agents.
 - JS asked to submit **representation on the Service Tax** issue.

Outlook DFS Meeting (4)



- JS asked to submit **representation on providing cash management @ 0% working capital by banks**
- JS asked to **share a list of bank wise ageing analysis** (how long does it take a bank to pay the BCS for the work done)

- **WHAT HAS ALREADY HAPPENED:**
 - Already been **included in the Strategic Group of DFS**
 - Made a **member of the Technology Committee of DFS**



Q&A

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