

BUSINESS
CORRESPONDENT
FEDERATION OF INDIA

HEAD OFFICE
Enterprise
D-128/129, Okhla Industrial
Area, Phase 1, New Delhi-110020

T: +91-11-40517000
E: contact@bcfi.org.in

CIN
U74999D12014NP1270298

REGISTERED OFFICE
547, Mandaakini Enclave,
Alaknanda, New Delhi-110019



To: PMO / MOF / CAB SEC / RBI / NITI AAYOG / DOR / MEITY / CBDT / DFS

April 5, 2017

SUBJECT: ** URGENT ** Representation for Exemption on Applicability of Section 269ST of The Finance Act 2017 On Bank Mitras/Business Correspondents and Corporate BCs

BACKGROUND

This is regarding applicability of Section 269ST of Finance Act 2017 on the Bank Mitras/Business Correspondents (BC) and the Corporate BC (CBCs). All BCs work as agents of banks to further the Financial Inclusion mission in general and PMJDY in particular. Bank Mitras/BCs handle large sum of cash collected from multiple customers, *interalia*, of banks.

FACTS

The facts are as follows:

1. For Micro ATM based DBT cash-out service, or AEPS based cash-withdrawal (Cash-out) service, the banks direct their corporate BCs (CBCs) to give cash (Cash-out) to their Bank Mitras/BCs in the field to enable them disburse DBT and facilitate the customers to withdraw cash from bank accounts.
2. For cash deposit (Cash-in) into banks, using AEPS Cash-in service or remittance services offered under the DMT guidelines of RBI, the Bank Mitras/BCs collect cash (Cash-in) paid by customers and deposit the same in the bank account of their CBC.
3. For cash deposit and cash-withdrawal for the loans disbursed or collected by Bank Mitras/BCs on behalf of banks through CBCs. The Bank Mitras/BCs and CBCs have been serving the banks in distributing loans to several borrowers who cannot access the formal banking channel.
4. Similarly, to avail other essential services viz. telecom and DTH recharges, rail/bus/air tickets, utility payments etc. customers give cash to the Bank Mitras/BCs who in turn deposit the same in the bank account of their CBC.
5. The spirit and mission of financial inclusion drive of Hon'ble PM and RBI is being served by the BC model operating in a controlled environment with full trackability of deposits and withdrawals done in KYCed bank accounts.

Thus, all the above services have "Cash-in" or "Cash-out" requirement as nature of their business - as dealing with customers is in cash. Either the cash is accepted from customers by the Bank Mitras/BCs and deposited in CBCs bank account, or the CBCs take out cash from bank account and gives to their Bank Mitras/BCs for disbursement to the customers. Furthermore, these low value transactions are offered by Bank Mitras/BCs to the customers. The cash is deposited by the Bank Mitras/BCs in the bank account of CBC. This is clean and accounted for money and fully trackable to each customer and the Bank Mitras/BCs.

BUSINESS
CORRESPONDENT
FEDERATION OF INDIA

HEAD OFFICE
Enterprise
D-128/129, Okhla Industrial
Area, Phase 1, New Delhi-110020

T: +91-11-40517000
E: contact@bcfi.org.in

CIN
U74999D12014NP1270298

REGISTERED OFFICE
547, Mandaakini Enclave,
Alaknanda, New Delhi-110019



It may be appreciated that viability of Bank Mitra/BC is the only way to scale up banking operations beyond the limited bank branches, *inter alia*, to rural locations, and implementation of Section 269ST of the Finance Bill 2017 will lead to collapse of the Bank Mitras/BCs and their CBCs.

Keeping the above facts in view, Bank Mitras/BCs and their CBCs must be exempted from applicability of Section 269ST of The Finance Act 2017.

RECOMMENDATION

Considering the above facts, the federation recommends as follows:

1. The CBCs and their Bank Mitras/BCs who facilitate a structured and wide dissemination of financial inclusion services, should be considered as part of the Banking Company and treated accordingly for the exemption under section 269ST of the Finance Bill 2017 applicable for Banking Company.
2. Considering the nature of business of Bank Mitras/BCs and their CBCs they should be exempted from applicability of Section 269ST of the Finance Bill 2017.

Exemption to Bank Mitras/BCs and their corporate BCs (CBCs) from applicability of Section 269ST of the Finance Bill 2017 is critical to further the financial inclusion mission of Hon'ble PM in general, and economic viability of PMJDY and Bank Mitras/BCs/CBCs in particular.

REQUEST

An urgent intervention of exempting Bank Mitras/BCs and their corporate BCs (CBCs) from applicability of Section 269ST of the Finance Bill 2017 shall be appreciated. We would be happy to meet and explain the situation and the hugely adverse impact of the said section would bring on financial inclusion in general and PMJDY in particular.

Warm regards,

Dr Anand Shrivastav
Chairman - BCFI
E: cmd@beam.co.in
M: +91-88516-44403

ABOUT BCFI: Business Correspondent Federation of India (BCFI): www.bcfi.org.in is a not-for-profit organization, representing over 3 lakh BCs/Bank Mitras across India offering various financial services under PMJDY and financial inclusion. BCFI robustly engages with policy makers and regulators and its efforts are supported by World Bank/IFC, DFID/SIDBI etc.