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Dr Bhushan Kumar Sinha, IES
Joint Secretary
Department of Financial Services
Ministry of Finance, Government of India
Room No - 9, 3rd Floor, Jeevan Deep Building
Sansad Marg, New Delhi - 110001

April 11, 2019

Subject: Request for declaration that Agent Business Correspondents (ABCs)/Bank Mitras are entrepreneurs, and not employees of banks or Corporate Business Correspondents CBCs)

Reg: EPFO Order dated November 27, 2018 (Order) declaring Agent Business Correspondents (ABCs)/Bank Mitras as employees of CBC, with bank as the principal employer

Dear Dr Sinha,

Pursuant to the Order passed by the Regional Provident Fund Commissioner, Bangalore, that Bank Mitras engaged by Corporate Business Correspondents (CBC) in connection with Financial Inclusion work associated with the Pragathi Krishna Gramin Bank (Bank), an RRB of Canara Bank, are employees of CBCs. The Order also states that the Bank is the principal employer.

The above Order was the outcome of a complaint filed against the Bank with the EPFO Bellary by a local BC Agents Association. The Bank denied any liability in this matter and redirected the EPFO to CBC. The EPFO did not take cognizance of detailed plea that ABCs are neither employees of CBC nor those of the Bank.

We understand this matter was discussed in the past, and it was assumed to be concluded that the ABC, as the last-mile delivery agent, is a local entrepreneur and not the employee of either the Bank or of the CBC, the intermediary.

The agreements between a bank and CBC/BC have been evolving, but the underlying spirit has been as defined under the RBI guidelines ever since the inception of the Business Correspondent model including further reinforced in the Pradhan Mantri Jan Dhan Yojana (PMJDY) notification.

REQUESTS

We request you to kindly:

1. Issue clarification that the Business Correspondent (BCs) delivering banking services (by whatever name called viz. Agent Business Correspondent/ Bank Mitra / CSP/ BCA/ FBC/ Sub-agent), is an entrepreneur and is not the employee of any CBC or Bank, thus giving a formal closure to the matter.

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2. Immediate suspension of EPFO proceedings on BC matters until the views of the key stakeholders (RBI, MoL/EPFO etc.) on the relationship between the Bank, the BC/CBC and the ABC are documented, and relevant notifications issued.
3. The RBI guidelines and the PMJDY document on the BC model suggest the status of the last-mile banking services delivery person at a specified location (Sub Service Area (SSA), and non-SSA) as a local entrepreneur who has been engaged/empanelled by the Corporate BC, who in turn has been engaged by the Bank, or has been directly engaged by the Bank, to extend banking services in unserved/underserved areas. A clarification on these lines may be issued to the EPFO.
4. DFS may request RBI to review the agreement between Banks and CBCs, so as to ensure uniform implementation and standardized practices wherein the ABCs are treated as entrepreneurs and not employees either of CBC or bank.
5. DFS may request the MoL/EPFO for arranging a retired judge (subject matter expert) and a senior professor from any law college/university as specialists to educate all the stakeholders on employee, agent, and intermediary in relation to BC operations based on the standard BC agreement, the PMJDY document and RBI guidelines, and may also publish a white paper on the same.

We would personally like to meet you to explain the gravity of the above and request for an appointment at your earliest convenience.

Yours Sincerely,

Dr Anand Shrivastav
Chairman