



Participant Handbook

Sector
**Banking Financial Services
and Insurance (BFSI)**

Sub-Sector
Banking

Occupation
Financial Inclusion Services

Reference ID: **BSC/Q0301, Version 1.0**
NSQF Level 3



**Business Correspondent/
Business Facilitator**



Shri Narendra Modi
Prime Minister of India

“ Skilling is building a better India.
If we have to move India towards
development then Skill Development
should be our mission. ”



Certificate

CURRICULUM COMPLIANCE TO QUALIFICATION PACK – NATIONAL OCCUPATIONAL STANDARDS

is hereby issued by the

BFSI SECTOR SKILLS COUNCIL OF INDIA

for the

MODEL CURRICULUM

Complying to National Occupational Standards of
Job Role/ Qualification Pack: **'Business Correspondent'** QP No. **'BSC/Q0304 NSQF Level 3'**

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Valid up to: December 22nd, 2016

* Valid up to the next review date of the Qualification Pack

Authorized Signatory
(BFSI Sector Skill Council of India)

1. Source New Customers



Unit 1.1 Financial Inclusion

Unit 1.2 Introduction to Banking

Unit 1.3 Banking Structure

Unit 1.4 Types of Customers



(BSC/ N 0301)

Unit 1.1 Financial Inclusion

Unit Objectives

At the end of this unit, the participants will be able to understand:

- Explain financial inclusion
- The need for financial inclusion
- Initiatives towards financial inclusion
- Challenges faced by Banks in financial inclusion

Did you know?

- Only 58.7% homes in India use banking services in the country
- This means that 41% people have no access to banks
- 73% farmer homes don't have access to formal sources of credit
- Even in urban areas, many people still don't have a bank account

We all need to have:

- a bank account
- the habit of saving
- access to affordable credit
- protection against exigencies



Figure 1.1.1

Financially Excluded

Those who do not have access to bank accounts, banking, loans and credit facilities are considered financially excluded.

Rural Poor

- This includes people like marginal farmers and landless labor

Unorganised sector

- People who look for work from time to time such as migrant labor, urban poor, workers

Women & Senior citizens

- From rural as well as urban areas



Figure 1.1.2



Figure 1.1.3



Figure 1.1.4

Problems of Financially Excluded

1. No habit of saving
2. Don't get credit at reasonable rates
3. Depend on money lenders
 - Land up paying high interest rates
 - Get soaked into higher debt
4. Remittance of funds to home town becomes difficult
 - Routed through agents and third parties
 - Costs more
 - Takes time
 - Faced with the risk of non-receipt of funds



Figure 1.1.5

What is Financial Inclusion?

Providing banking services at an affordable cost to the vast sections of disadvantaged and low income group. Inclusive banking does not just mean offering bank accounts to everyone. Financial inclusion means providing different banking products and services that are basically needed by the common man.

The banking services that are meant to be made available under financial inclusion are given in the chart below:

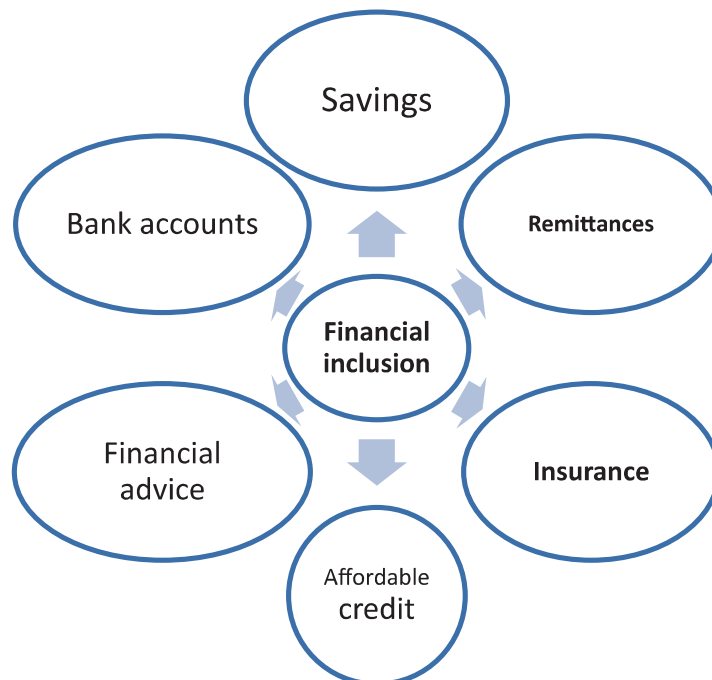


Figure 1.1.6

Savings Account

Benefits of savings account for low income groups

Habit of saving
some amount for
the future

Money is safe in
the bank

Don't have to
worry about theft
or extra spending

Earn interest on
savings

Figure 1.1.7

What Does Financial Inclusion Provide?

Apart from bank accounts, products that help people save for their future and accumulate wealth.

Example: Recurring deposits, fixed deposits

Let us look at a sample of a Fixed Deposit

<p>ਪੰਜਾਬ ਏਂਡ ਸਿੰਧ ਬੈਂਕ Punjab & Sind Bank ਪੰਜਾਬ ਐਂਡ ਸਿੰਧ ਬੈਂਕ ਦੀ ਪ੍ਰਾ. ਸੀ. (ਦੇਸ਼ ਸੇਵਾ ਅਤੇ ਆਯੋਗ Govt. of India Undertaking)</p>		<p>FDR No. 188061 NTSP/A</p>	
<p>ਸ਼ਾਖਾ/Branch</p>		<p>ਸਾਵਧਿ ਜਮਾਰਾਸ਼ਿ ਰਸੀਦ FIXED DEPOSIT RECEIPT</p>	
<p>ਸਕੀਮ/Scheme</p>		<p>188061</p>	
<p>Received from</p>		<p>ਜਾਰੀ ਕਾਰਨੀ ਦੀ ਤਾਰੀਖ/ Issue Date</p>	
<p>Mode of Operation ਪ੍ਰਕਾਰ/ਦਰਜਾਦੀ/</p>		<p>ਜਾਰੀ ਤਾਰੀਖ /Effective Date</p>	
<p>ਰਕਮ Rupees</p>		<p>ਸੀਰੀਅਲ ਨੰ./Serial No.</p>	
<p>ਸੇਵਕ/Accountant</p>		<p>ਕਾਮ/Ledger No.</p>	
<p>ਮੁਖੀ/Manager</p>		<p>ਕਾਮ ਨੰ./Account No.</p>	
		<p>ਅਵਧਿ/Period</p>	
		<p>ਤਰੀਖ/ਤਾਰੀਖ/ Maturity Date</p>	
		<p>ਦਰ/Interest Rate</p>	
		<p>ਰਕਮ/Amount</p>	
		<p>ਤਰੀਖ/ਤਾਰੀਖ/ Maturity Value</p>	

Figure 1.1.8

Remittances i.e. allowing people working away from home to send money to their family.

Example: Migrant labourers who come to towns and cities in search of work.

The image shows a Western Union form titled "START HERE YOUR INFORMATION". It is divided into several sections:

- Personal Information:** Fields for First Name(s) (JOHN), Last Name(s) (DOE), Email, Street Address (12345 GREEN STREET), City (NEW YORK), State (NY), Zip (12345), and Phone/Loyalty #.
- Transaction Type:** A section titled "I WANT TO:" with three options:
 - SEND MONEY (highlighted with a red box and arrow)
 - PAY A BILL
 - RELOAD PREPAID
- SEND MONEY Section:**
 - TEXT ME:** Your Mobile (with a note: "YOU WILL RECEIVE A TEXT WHEN MONEY IS RECEIVED")
 - AMOUNT:** Send Amount (Dollars)?
 - Destination: Country/State
 - RECEIVER:** First Name(s) and Last Name(s)
- PAY A BILL Section:**
 - TO:** Company Name (or Trade City): SEVISFEE
 - Account Number: 012182013896198
 - Attention (if applicable)
 - AMOUNT:** Amount (Dollars)? 200.00
 - SPEED:** Urgent, Next Day, 2nd Day. (Note: OPTIONS MAY NOT BE AVAILABLE FOR ALL PAYMENTS)
- RELOAD PREPAID Section:**
 - INFO:** RELOAD PREPAID CARDS / MOBILE PHONES / OTHER ACCOUNTS (with WU Reload+ logo)
 - Card number, account number, order number, telephone number or user name
 - AMOUNT:** Amount (Dollars)?
- SELECT ONE:**
 - CASH PICKUP
 - SPEED:** Money in Minutes, Next Day (where available)
 - TEST QUESTION:** IF APPLICABLE - Varies by Country. Test Question (limit 4 words), Test Answer.
 - BANK ACCOUNT DEPOSIT (with a note: "SOME OF AMOUNTS VARY BY COUNTRY")
 - Bank Name, Routing / BIC / IFSC, Account Number / IBAN, Other Information.
 - MOBILE WALLET DEPOSIT
 - Number with Country Code
- SIGN HERE:** Your Signature
- Footer:** VEA EL REVERSO PARA ESPAÑOL > (FORMULE TIR 2/13)

Figure 1.1.9

Western Union has become a popular way of transferring money for people working away from home

Provide insurance against unforeseen circumstances and risks.

Example: Insurance against death, disability, accident, ill health and other exigencies.

Make available loans at reasonable rates of interest to meet temporary shortage of funds, running a small business or managing financial exigencies

Giving financial advice on creating financial goals, planning, saving and investing money

Advantages of Financial Inclusion

- Financial inclusion broadens the resource base of the financial system
- Develops a culture of savings among large segment of rural population
- Helps in the process of economic development
- Protects financial wealth of a large population
- Provides protection during exigencies
- Mitigates exploitation by money lenders

Government and RBI Initiatives



Nationalization of banks to promote economic growth and development of the weaker sections of society

- 14 banks nationalized in 1969
- Six more banks in 1980



Branch network of scheduled commercial banks

- Banks were encouraged to open branches in semi urban and rural areas
- To reach out to people in unbanked areas



Co-operatives and regional rural banks

- Cooperative and regional rural banks started
- To provide access to low income groups in urban and rural areas



Priority sector lending targets

- Banks given targets for priority sector lending
- Banks required to provide 40% of their loans to priority sector (small scale industries, artisans, education)
- To provide affordable housing



Lead bank scheme

- RBI initiated scheme, for each district, there was a Lead Bank to provide financial credit to people
- State level banker's committee formed for other banks to collaborate with the lead bank



Initiatives of NABARD

- NABARD schemes to promote and nurture self-help groups, link self-help groups with banks, provide refinance to banks for their loans to self help groups.

Figure 1.1.10

RBI Policy Initiatives

RBI has adopted a bank-led model for achieving financial inclusion and removed all regulatory bottlenecks in achieving greater financial inclusion in the country. Further, for achieving the targeted goals, RBI has created conducive regulatory environment and provided institutional support for banks in accelerating their financial inclusion efforts.

- Advised all banks to open Basic Saving Bank Deposit (BSBD) accounts with minimum common facilities such as no minimum balance, deposit and withdrawal of cash at bank branch and ATMs, receipt/ credit of money through electronic payment channels, facility of providing ATM card.
- Relaxed and simplified KYC norms to facilitate easy opening of bank accounts, especially for small accounts with balances not exceeding Rs. 50,000 and aggregate credits in the accounts not exceeding Rs. one lakh a year. Further, banks are advised not to insist on introduction for opening bank accounts of customers. In addition, banks are allowed to use Aadhar Card as a proof of both identity and address.
- Simplified Branch Authorization Policy, to address the issue of uneven spread bank branches, domestic SCBs are permitted to freely open branches in Tier 2 to Tier 6 centers with population of less than 1 lakh under general permission, subject to reporting. In North-Eastern States and Sikkim domestic SCBs can open branches without having any permission from RBI. With the objective of further liberalizing, general permission to domestic scheduled commercial banks (other than RRBs) for opening branches in Tier 1 centres, subject to certain conditions.
- Compulsory Requirement of Opening Branches in Un-banked Villages, banks are directed to allocate at least 25% of the total number of branches to be opened during the year in un-banked (Tier 5 and Tier 6) rural centers.
- Public and private sector banks had been advised to submit board approved three year Financial Inclusion Plan (FIP) starting from April 2010. RBI has been monitoring these plans on a monthly basis.
- Banks have been advised that their FIPs should be disaggregated and percolated down up to the branch level. This would ensure the involvement of all stakeholders in the financial inclusion efforts.
- In June 2012, revised guidelines on Financial Literacy Centres (FLCs) were introduced. Accordingly, it was advised that FLCs and all the rural branches of scheduled commercial banks should scale up financial literacy efforts through conduct of outdoor Financial Literacy Camps at least once a month, to facilitate financial inclusion through provision of two essentials i. e. 'Financial Literacy' and easy 'Financial Access'.

NABARD's Initiatives

SHG-Bank Linkage program

Self-help groups supported by NGOs and governments provide work as an intermediary to provide low-cost financial services for development. NGOs already working in the social sector are encouraged to take up SHG promotion as an "add-on" activity. NABARD enables training and capability building of these partner agencies and NGOs.

Regional Rural Banks

RRBs were started in 1975 to provide credit to marginal farmers, rural artisans, street vendors and people below poverty line.

Results of Financial Inclusion Initiatives by Banks

- Banks were not effective in achieving targets, customers not too keen to avail banking products.
- Government and RBI felt the need to create the demand for the banking products among low income groups.
- Financial literacy became a problem and it was planned to spread awareness about banking products and their benefits

Timeline of Major Financial Inclusion Initiatives in India

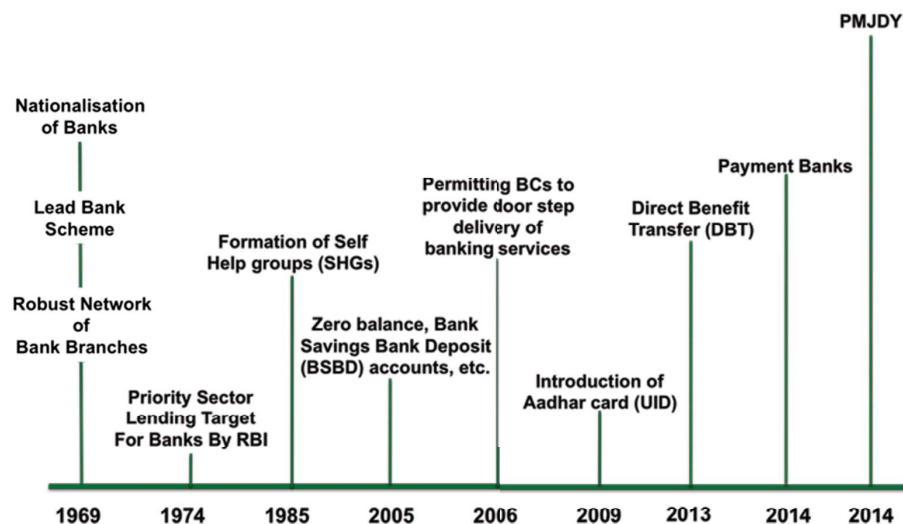


Figure 1.1.11

RRBs were expected to:

- mobilise the savings of rural poor
- deploy the savings for development of the same area
- provide low cost credit for economic activity

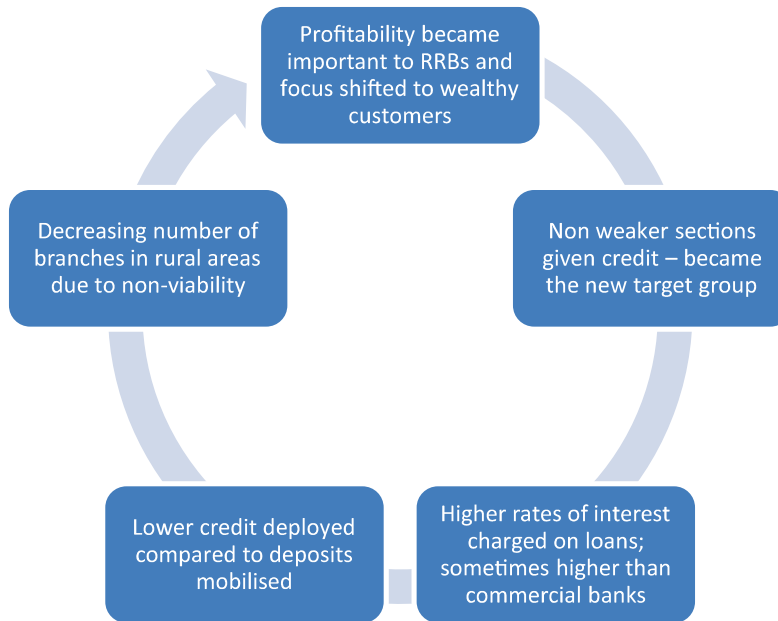


Figure 1.1.12

Challenges for Banks in Financial Inclusion

	<p>High transaction cost</p> <ul style="list-style-type: none"> • Operating rural branches was costly because it required support in terms of infrastructure, technology and cash management.
	<p>Low profitability</p> <ul style="list-style-type: none"> • Rural branches were not profitable because there weren't enough low cost deposits and not enough deployment of credit
	<p>Poor credit discipline in rural loans</p> <ul style="list-style-type: none"> • People in rural areas could not differentiate between loans and grants. Used loans for unproductive purposes and there was risk of default
	<p>Inadequate manpower</p> <ul style="list-style-type: none"> • Rural bank branches had difficulties in staffing as young graduates were not willing to work in rural areas
	<p>Distance and accessibility</p> <ul style="list-style-type: none"> • Rural branches were not easily accessible. For every 16000 people in India, there is only one bank branch

Figure 1.1.13

Activity

Overview

This activity will help familiarize the participant with the working of the local Business Correspondents.

Goals and Objectives:

To be familiar with the working of the local BC / BF professionals.

Props/Material Required:

- Paper and Pen
- Laptop and Projector
- Classroom
- White/Black Board

Methodology/Procedure:

Find a case study of a rural bank which faced challenges in terms of financial inclusion.

Outcome:

Unit 1.2 Role of BCBF in Financial Inclusion

Unit Objectives

At the end of this unit, the participants will be able to:

- Define the BC/BF Model
- Explain the need for BC/BF
- Find the role of the model in financial inclusion
- Know the eligibility criteria for BC/BF
- List scope of activities of BC/BF

Need for BCBF as Intermediaries

We have seen earlier in the book that in India, there is one bank branch for 16000 people. That is why banks face tremendous challenges in achieving financial inclusion. Let's look at some of the problems:

1. Existing rural banks were still very far away from customers, making it inconvenient for regular transactions
2. Inadequate staff in rural banks; new recruits and employees not willing to take up rural postings.
3. Setting up new rural branches was very costly and not profitable for banks.

Role of Business Facilitators and Correspondents in Financial Inclusion

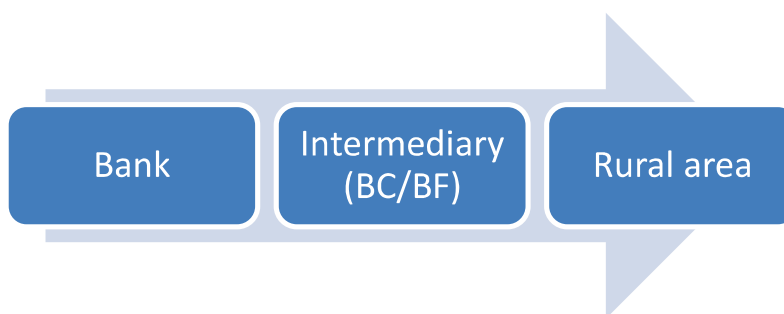


Figure 1.2.1

In 2005-06, RBI decided in public interest to enable banks to use the services of others to ensure higher financial inclusion and increasing the outreach of the banking sector. Who are these people the banks use for greater financial inclusion?

They work as intermediaries to provide financial and banking services through the use of Business Facilitator and Correspondent (BCBF) models.

Business Facilitators

Business Facilitators provide services which are non-financial (does not involve handling money/finance).

They act as intermediaries who facilitate banks to:

- Spread awareness about Banking products and services
- Identify borrowers for the Bank
- Collect information about the borrowers
- Processing and submission of loan application forms
- Promoting and nurturing self-help groups
- Monitor and follow up for loan recovery

Business Correspondents

The RBI circular specified that these persons could act as BCs:

- NGOs/ MFIs set up under Societies/ Trust Acts
- Societies registered under Mutually Aided Cooperative Societies Acts or the Cooperative Societies Acts of States,
- Section 25 companies
- Registered NBFCs not accepting public deposits
- Post Offices



Figure 1.2.2

In addition to functions handled by Business Facilitators, BCs also handle the following:

- Disbursal of small value credit
- Recovery of principal / collection of interest
- Collection of small value deposits
- Sale of micro insurance/ mutual fund products/ pension products/ other third party products and
- Receipt and delivery of small value remittances/ other payment instruments

Note: Business correspondents handle branchless banking. What does this mean?

- There are no bank branches
- They work at customer service outlets or visiting customer homes
- Use help of technology-enabled solutions

BCs handle small value cash transactions within limits prescribed by their parent Bank. Business Correspondents are from the local area and are able to reach out to customers and provide them service at their door step.

Terms & Conditions of BC/BF as Intermediaries

BC/BF are appointed as intermediaries by the respective banks who pay commission/fees for the services rendered. The agreement between banks and BC/BFs includes the following terms and conditions:

- Commission/fees payable to BC/BF for their services
- Limits for handling of cash and other transactions
- System of reporting of business by the BC/BF and coordination with the Bank
- Procedures to be followed to mitigate risks for Banks
- KYC Policy and procedures to be followed



Figure 1.2.3



Figure 1.2.4

Eligibility Criteria for BC/BF

Eligible organisations and their members/employees as well as eligible individuals can be appointed by banks as Business Facilitators.

Organisations eligible for the role of Business Facilitators

<ul style="list-style-type: none"> • NGOs • SHGs • Farmer's Clubs • Functional Cooperatives • Community based organizations • I.T. enabled rural outlets of corporate entities 	<ul style="list-style-type: none"> • Well-functioning Panchayats • Rural Multipurpose kiosks / Village Knowledge Centers • Agri Clinics / Agri Business Centers • KrishiVigyanKendras • KVIC / KVIB units • Post Offices • Primary Agricultural societies
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Individuals who can be appointed as Business Facilitators

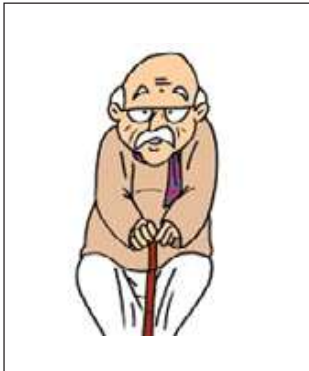


Retired Persons	Agents	Shopkeepers/ Owners
<ul style="list-style-type: none"> • Post master • School College teacher • Bank employee • Government Official • Ex service men 	<ul style="list-style-type: none"> • Postal • Insurance (IRDA certified) • AMFI certified • Small savings schemes of Government 	<ul style="list-style-type: none"> • Kirana shops • Medical shops • PCO operators • Fair price shops • Petrol Pumps • FMCG stockists • Auto dealers
		

Figure 1.2.5

Eligibility criterion for individuals

Banks have their own selection criteria to evaluate the applications of individuals to function as business facilitators. Here are the important criteria followed by Banks. Individual Banks might have additional criteria to choose the right candidates.

- Permanent resident of the village / area of operation
- Knowledge of the local language / dialect
- Knowledge about the area
- Minimum Education level – SSC Passed
- Age - 21 to 50 years, relaxed for retired teachers, bankers
- Satisfy the norms of due diligence as laid down
- Should not be affiliated to any political organization
- No criminal proceeding against him/her in any court of law
- Past dealings with the Bank/s should have been satisfactory
- Should not be a Director or officer / employee of the Bank

Eligibility criterion for organisations

- Satisfactory track record of at least two years
- Business reputation and culture should be good
- Financial soundness and ability to fulfill commitment
- The organization / office bearers / members should not have any criminal record
- Satisfactory transactions with the Bank
- The efficacy of security, internal controls of the organisation on outsourced activities
- The efficiency of systems and processes of the organisation

Verifications/Precautions required before the appointment of BCBF

After selection of candidates, banks do a due diligence and verification check before appointment. This includes:

- Police verification in respect of each applicant found suitable
- Banks may ask for reference from two respectable customers of the Bank
- Verification of details in the application/track record
- Interview the individual applicant/office bearers of the organisation
- Due diligence check about the background – market inquiries about the reputation of applicant
- Visit to the applicant's place/office to verify details

Scope of Activities

A business facilitator conducts only “non-financial business activities”. They cannot handle cash transactions. Their scope of activities includes:

- ✓ Identification of potential customers
- ✓ Collection and preliminary processing of loan applications / account opening forms for deposits
- ✓ Verification of primary information / data
- ✓ Filling of loan applications / account opening forms including nomination
- ✓ Submission of forms to Bank
- ✓ Assisting in monitoring and follow up for loan recovery

Business Facilitators also spread financial literacy and generate leads for Banks. Their services include:

- Creating awareness about savings and other products
- Cross-selling of other financial products
 - Insurance
 - Mutual fund
 - Pension products
 - Any other third party product
- Promoting and nurturing Self Help Groups (SHGs) / Joint Liability Groups (JLGs)
- Advice on managing money, debt counselling

Who can be appointed as Business Correspondent?

Organisations that can function as BCs:

- NGOs/ MFIs set up under Societies/ Trust Acts
- Societies registered under Mutually Aided Cooperative Societies Acts or the Cooperative Societies Acts of States,
- Section 25 companies
- Registered NBFCs not accepting public deposits
- Post Offices

Individuals who can be appointed as BCs

- Retired Teachers, Government and Bank Employees
- Ex-servicemen
- Individual kirana/medical/fair price shop owners
- Individual Public Call Office Operators (PCO)
- Agents of small savings schemes of Govt. of India/insurance companies
- Individual who own petro pumps
- Authorised functionaries of well-run SHGs linked to Bank

Types of Organisations that can be appointed as BCs

- Well-established with a good reputation
- Should have the confidence of local people
- Significant rural/semi-urban presence
- Satisfactory track record
- Ability to generate funds required for this service
- Ability to invest in POS devices and other equipment
- Ability to retain the required cash balance at Point of Sale and the balance in the Current account on continuous basis
- Should not be owned or controlled by any Director or officer/employee of the bank or a relative

Note: Selection criteria for individuals as Business Correspondents is the same as for Business Facilitators.

Role of Business Correspondents

In addition to the activities undertaken by business facilitators, business correspondents also take up banking services as follows:

- Opening of no frill deposit accounts and other products as permitted from time to time by leveraging technology.
- Collection and payment of small value deposits and withdrawals (not exceeding Rs.10,000/- or as specified by the Bank in each case)
- Receipt and delivery of small value remittances / other payment instruments (example - not exceeding Rs.10,000/- or as specified by the Bank in each case)
- In respect of all such transactions, the BC/his agent will be authorized to accept / deliver cash either at his place of work or at any convenient location subject to the ceilings per customer.
- Furnishing of mini account statements and other account information
- Recovery of principal / collection of interest in respect of borrower accounts. For recovery only after complying with RBI instructions on recovery agents..



Figure 1.2.6

- Any other service on behalf of the Bank, duly authorized by the appropriate authority.
- The activities to be undertaken by the Business Correspondents would be within the normal course of the bank's business, but conducted through and by the entities at places other than the Bank's premises.
- In respect of all such transactions, the BC/his agent will be authorized to accept / deliver cash either at his place of work or at any convenient location subject to the ceilings per day / per customer as laid down. The Business Correspondents / Business Facilitators will be linked to a nearby branch (Link Branch).

Operational aspects relating to business correspondent activities

- BCs conduct activities in the normal course of banking business
 - At customer service points or
 - At the door step of customers
- The daily limit for transactions is defined by the bank
- BCs accept and pay cash subject to the daily limits
- BCs are linked to a near- by bank branch
- BCs leverage on technology to connect with the link branch

Area of operation

- Specified by banks

General guidelines:

- Area of operation of a Bank Branch to cover atleast 20 -25 villages
- One BC/BF to cover 2-5 villages within a distance of 15 Kms from the Bank branch
- In urban branches distance criteria for BF/BF is 5 Kms from the bank branch

Difference between Business Facilitator and Business Correspondent

Business Facilitator	Business Correspondent
Handle only non-financial transactions	Can handle small value cash transactions
Main role is to spread awareness, identify customers and borrowers , generate leads, and assist in filling up account opening forms/applications	In addition, BCs perform banking services away from branches, like opening of accounts, cash receipts and payments, small value remittances and selling of third party products

Activity

Overview

This activity will help familiarize the participant with the working of the local Business Correspondents.

Goals and Objectives:

To be familiar with the working of the local BC / BF professionals.

Props/Material Required:

- Paper and Pen
- Laptop and Projector
- Classroom
- White/Black Board

Methodology/Procedure:

Get in touch with the local Business Correspondent in your area and discuss his / her specific job role based on the bank they are working for.

Outcome:



Skill India

कौशल भारत - कुशल भारत



सर्वधनं धनं
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